CEC-COILS® 759阿信屋®

CEC國際控股有限公司
CEC INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號：759)

ANNUAL REPORT 年報 2019/2020

Corporate Profile

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 our best to further increase the varieties of our products and, apart from food, we self-imported frozen food, alcohol beverages, household products, kitchenware and personal care products, 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.

Contents

Corporate Information

DIRECTORS

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

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

Ms. Tang Fung Kwan *(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

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
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
Registered Public Interest Entity Auditor

LEGAL ADVISERS

F. Zimmern & Co.
Appleby

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda Principal Share Registrar
MUFG Fund Services
(Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

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

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

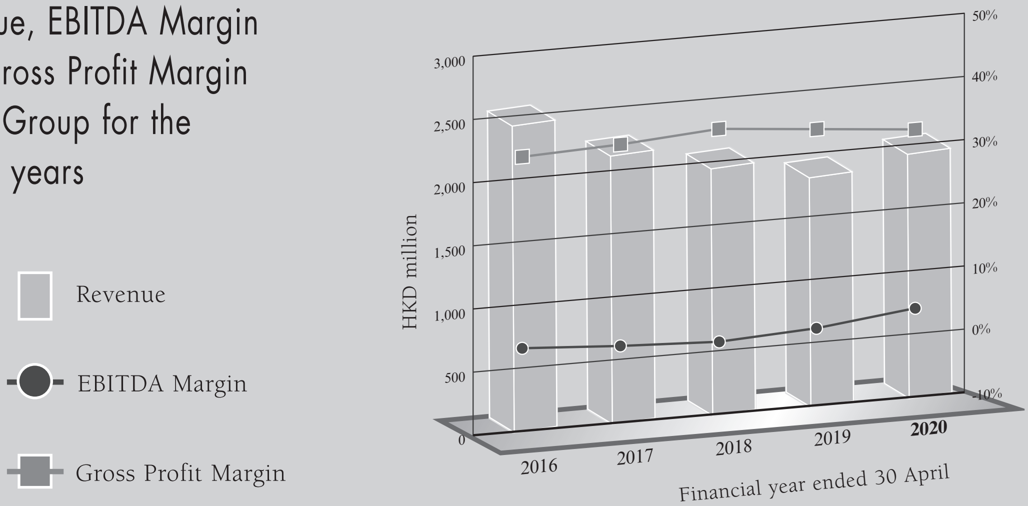
E-mail: info@ceccoils.com

Listed on The Stock Exchange of Hong Kong Limited

Stock Code: 759

Financial Highlights

Revenue, EBITDA Margin and Gross Profit Margin of the Group for the past 5 years



	As at 30 April/ Year ended 30 April	
	2020	2019
	HK$'000	*HK$'000*
Revenue	**1,958,651**	1,839,923
Profit/(loss) for the year	**12,349**	(9,521)
Total assets	**1,135,006**	1,021,168
Net assets	**412,285**	425,663
Per Share Data		
Basic earnings/(loss) per share (HK cents)	**1.85**	(1.43)
Net assets per share (HK cents)	**61.9**	63.9
Financial Ratios		
Gross profit margin (%)	**32.3**	33.7
EBITDA margin (%)	**4.0**	2.2
Current ratio	**0.74**	0.85
Interest coverage ratio	**4.70**	2.10
Gearing ratio	**0.32**	0.43

Definitions

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

* Under adoption of HKFRS 16, operating lease rental of premises under HKAS 17 is no longer incurred. Instead, depreciation of right-of-use assets and finance costs associated with lease liabilities are recognised, both of which are excluded from the calculation of EBITDA and interest coverage ratio for the year ended 30 April 2020.

Five-Year Financial Summary

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

	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Profit/(loss) attributable to equity holders	**12,349**	(9,521)	(32,869)	(49,993)	(29,715)
Total assets	**1,135,006**	1,021,168	1,097,783	1,203,639	1,315,450
Total liabilities	**(722,721)**	(595,505)	(642,399)	(746,686)	(812,084)
	412,285	425,663	455,384	456,953	503,366

Management Discussion and Analysis

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of CEC International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the twenty-first 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.

2019/2020 SUMMARY OF RESULTS

– Revenue increased 6.5% to HK$1,958,651,000 (2019: HK$1,839,923,000);

– Profit for the year of the Group was HK$12,349,000 (2019: loss of HK$9,521,000);

– Basic earnings per share was HK1.85 cents (2019: loss of HK1.43 cents);

– Net cash inflow from operating activities of HK$341,822,000 (2019: HK$79,619,000); and

– Gross profit margin decreased by 1.4 percentage points to 32.3% (2019: 33.7%).

DIVIDEND

No interim dividend was declared for the year ended 30 April 2020 (2019: Nil).

The Board has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.50 cent (2019: Nil) per share for the year ended 30 April 2020 payable on or about 29 October 2020 to the shareholders whose names appear on the Company's register of members on 13 October 2020.

Management Discussion and Analysis

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 September 2020 to Tuesday, 29 September 2020 (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 Tuesday, 29 September 2020 are entitled to attend and vote at the annual general meeting of the Company to be held on Tuesday, 29 September 2020 (the "2020 Annual General Meeting"). In order to qualify to attend and vote at the 2020 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 Tuesday, 22nd September 2020.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the 2020 Annual General Meeting. For the purpose of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 9 October 2020 to Tuesday, 13 October 2020 (both dates inclusive), during which period no transfer of shares of the Company will be effected. In order to be entitled to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 8 October 2020. The payment of final dividend will be made on or about Thursday, 29 October 2020.

BUSINESS REVIEW

Overview

The Group recorded a consolidated revenue of HK$1,958,651,000 for the year 2019/20 (2019: HK$1,839,923,000), representing an increase of approximately 6.5% as compared with that of last year. Consolidated gross profit was HK$632,018,000 (2019: HK$619,717,000), representing an increase of approximately 2.0% as compared with that of last year, while consolidated gross profit margin dropped about 1.4 percentage points to 32.3% (2019: 33.7%). Adhering to the cost control and work flow improvement plan that set up last year, the Group in the year imposed most prudent policies to strictly control the operating costs of retail business and electronic component manufacturing business, keeping them at low level with regard to those in recent years. Consolidated selling and distribution costs and general administrative expenses for the year were HK$478,626,000 and HK$102,164,000 (2019: HK$493,958,000 and HK$111,886,000) respectively, representing decreases of 3.1% and 8.7% respectively. Through effective cost saving, and strategically adjusting the combination of imported merchandise that gave rise to revenue growth, the Group recorded a profit attributable to shareholders of HK$12,349,000 (2019: loss of HK$9,521,000) during the year.

Management Discussion and Analysis

Retail Business

Hong Kong local market faced an unprecedented crisis in the year 2019/20. In the first half of the year, Hong Kong economy was influenced by a series of disturbance in society. On top of that, COVID-19 epidemic that developed lightning fast into global pandemic since February 2020 gave overturning changes to local market, even to global retail market and supply chains. To deal with the epidemic that came all of a sudden and so wreaked havoc, the life style and buying habit of citizens changed tremendously. In the period under review, the Group stayed proactively in response to the changes in real world, firmly sticking to the founder's will at the very beginning when he established 759 STORE, with determination persistently offering high quality products at low prices to local neighbours through "Quick Turnover with Lower Margin" policy. During the year, the retail business recorded a revenue of HK$1,886,705,000 (2019: HK$1,730,024,000), representing a rise of 9.1% as compared with that of last year. The growth of sales revenue in retail business was mainly attributed to the great increase in citizens' demand on food grocery during the epidemic. Right from the early stage when COVID-19 epidemic emerged, the Group had already done its best to increase the procurement amount of food grocery. Regardless of the shortage in global food supply and the increase in freight charge, the management insisted to maintain the product retail prices as stable as possible during the epidemic, in the meantime ruling out any idea to change the discount policy that long imposed, maintaining "everyday 23% off" discount policy during the epidemic. Meanwhile, the revenue growth was mainly in rice, noodle, frozen food and sanitary paper product which have lower gross profit margins, leading the segment gross profit margin of the retail business to drop 1.4 percentage points to 32.8% (2019: 34.2%) as segment gross profit increased along with revenue by approximately 4.4% to HK$618,031,000 (2019: HK$591,719,000).

759 STORE adopted a model for its procurement that products were "directly imported from their places of origin", in which over 90% of products were imported through its procurement team, on its own directly from their places of origin including 57 countries and regions (2019: 61). Our procurement team kept on searching for high-quality products around the world for customers' selection. Most of the products came from Japan and Korea. Directly imported goods from Japan and South Korea accounted for approximately 46% share of the overall procurement, with the others coming from Thailand, Europe, Taiwan, Mainland China, America and other regions. In the year, 759 STORE drove its direction of development on product portfolio further towards the categories of food products and necessities of daily life, in which the share of rice, food grocery, frozen food and sanitary paper product in sales revenue had increased, while the share of snack, being the greatest for long time, decreased to about 29% (2019: 32%) In the period under review, the number of product items regularly carried was about 5,760 (2019: 6,100), less than that in last year since 759 STORE had adopted a much fast-moving product mix, allocating procurement resource to the products of much stable sales according to sales data accumulated for years, eliminating certain product items that were slow-moving, so as to shorten turnover day of inventory and improve cash flow. As at 30 April 2020, the total inventories carried by the retail business of the Group was HK$244,118,000 (2019: HK$311,559,000), decreasing by 21.6% as compared with that of last year.

Management Discussion and Analysis

With a net decrease of 2 stores, the total number of shops of 759 STORE was 177 as at 30 April 2020 (2019: 179), among which 12 shops were newly opened and 14 shops were closed. As at the same date, the total shop floor area in operation was 359,000 square feet (30 April 2019: 384,000 square feet), with an average floor area per store of 2,028 square feet (30 April 2019: 2,145 square feet), representing an average decrease of 5.5% over last year, mainly due to the giving up of certain oversized stores by the Group. The turnover per square foot has increased to HK$5,255 (2019: HK$4,505). Since most of the shops recorded sales growth in same shops for the year, improvement in frontline staff efficiency caused the share of labour cost as a percentage of revenue to decrease to 8.3% (2019: 8.9%). The average number of frontline staff per shop remained at a similar level of 3.7 persons (2019: 3.6 persons). For remuneration, labour cost of the Group's frontline staff included basic salary, commission and other benefits. The commission of the shop was calculated depending on the sales performance of that shop, which was divided among the staff based on the number of staff members on duty.

The Group imposed strict control on the cost that the segmental selling and distribution expenses and general administration expenses decreased about 3.0% and 10.0% respectively, to HK$477,499,000 and HK$80,133,000 (2019: HK$492,252,000 and HK$89,074,000) respectively, significantly improving the profitability of the retail business. On the other hand, 2 self-use properties for retail business were sold at the timing that the management deemed appropriate in the period under review, recording a realised gain of about HK$7,720,000 for property sales. In sum of the various factors, segment operating profit of retail business in the year recorded a growth as compared with that in last year to HK$70,273,000 (2019: HK$11,874,000).

Support from the Customers

In the year, mild growth was recorded in the patronage frequency of members. The number of membership cards that persistently being used every week for 1 time or more was about 540,000 (2019: 460,000) and the number of membership cards that persistently being used every 5 week for 1 time or more was about 1,350,000 (2019: 1,230,000). This figure showed that 759 STORE had received long-term persistent support extensively from customers in all walks of life.

Electronic Components Manufacturing Business

During the year, the segment revenue of electronic components manufacturing business of the Group dropped to HK$70,727,000 (2019: HK$108,972,000), representing a decrease of 35.1% as compared with that of last year and accounting only for 3.6% of the Group's consolidated revenue. The manufacturing business was seriously pounded by the impacts of double whammy, the China-US trade war and COVID-19 epidemic. In February 2020, all factories of the Group located in Mainland China had completely suspended their operation. In the face of such situation, the Group did its best to save costs in the period under review, to minimise the loss as much as possible. The segment operating loss for the manufacturing business was HK$7,327,000 (2019: segment operating profit of HK$13,158,000) for the year, which included a provision for impairment of fixed assets of HK$6,833,000. Meanwhile, from the middle of March in 2020, the epidemic came under control that some signs of recovery were gradually found in the orders of our major customers. However, as new cold war between US and China gradually got in shape, we believed that the manufacturing business in future would still be quite challenging. The management would keep doing its best to control the costs so that the manufacturing business could return to its breakeven point level as soon as possible.

Management Discussion and Analysis

Investment Properties

Rental income of the Group for the year amounted to HK$1,219,000 (2019: HK$927,000). During the year, the investment properties recorded the fair value loss of approximately HK$5,005,000 (2019: HK$5,010,000) in the consolidated income statement.

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 30 April 2020, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK$93,612,000 (2019: HK$69,130,000). As at 30 April 2020, the Group had aggregate banking facilities of HK$522,800,000 (2019: HK$517,700,000) which included overdrafts, loans, trade financing, etc. Unused facilities as at the same date amounted to approximately HK$235,666,000 (2019: HK$129,248,000).

The Group's bank loans as at 30 April 2020 amounted to HK$287,134,000 (2019: HK$388,452,000), representing a decrease of 26.1% as compared with that of last year. As the Group has been progressively reducing its debt, the Group has reduced its gearing ratio* to 0.32 (2019: 0.43) as at 30 April 2020, representing a decrease of 0.11 as compared with the previous financial year end. As at the same date, the Group did not have any contingent liabilities (2019: Nil).

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

At 30 April 2020, the utilised banking facilities amounting to HK$287,134,000 (2019: HK$388,452,000) 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 2020, the Group could comply with such financial covenants.

Assets

As at 30 April 2020, the Group's total inventories amounted to HK$294,121,000 (2019: HK$367,133,000), representing a decrease of 19.9% as compared with the last financial year end. Meanwhile, the total prepayments, deposits and other receivables (including rental deposits for retail stores) as at the same date fell to HK$84,162,000 (2019: HK$90,467,000), decreased by 7.0%.

Interest Expenses

The Group's finance costs for the period was HK$30,464,000 (2019: HK$19,726,000). The increase in interest expenses was mainly attributable to the interest expenses of lease liabilities of approximately HK$13,477,000 resulting from the adoption of HKFRS 16 "Leases" since 1 May 2019. The actual bank interest expense for the period was HK$16,987,000 (2019: HK$19,726,000), representing a saving of 13.9% as compared with that of last year, mainly attributable to the lowered utilisation of banking facilities and overdrafts in the period. The Group expects that the interest expense in future would continue to fall along with the way that bank borrowings are utilised.

Management Discussion and Analysis

Financial Resources and Capital Structure

The Group's net cash inflow was HK$26,590,000 (2019: HK$46,522,000) for the year. Net cash inflow from operating activities was HK$341,822,000 (2019: HK$79,619,000). The significant increase in cash inflow from operating activities was mainly attributable to the significant improvement in operating profit and inventory turnover during the year, as well as the adoption of HKFRS 16 "Leases" during the year, in which an item of depreciation for right-of-use assets of approximately HK$185,014,000 was newly recognised. On the other hand, a newly recognised repayment item for lease liabilities of around HK$190,472,000 caused cash outflow from financing activities to increase greatly to HK$319,874,000 (2019: HK$32,501,000). Despite of the aforesaid factor, the Group greatly reduced the bank borrowings for roughly HK$101,318,000 in the year. The net cash inflow from investing activities in the year was HK$4,642,000 (2019: outflow of HK$596,000), which was the difference between the cash gain from property sales and the fixed asset investment for newly opened shops in the period under review.

Cash Flow Summary

	2020	2019
	HK$'000	*HK$'000*
Net cash inflow from operating activities	**341,822**	79,619
Net cash inflow/(outflow) from investing activities	**4,642**	(596)
Net cash outflow from financing activities	**(319,874)**	(32,501)
Increase in cash and cash equivalents	**26,590**	46,522

As at 30 April 2020, the net current liabilities of the Group was HK$163,488,000 (2019: HK$88,724,000) and the current ratio was 0.74 (2019: 0.85). HKFRS 16 "Leases" has changed the accounting treatment for the Group's operating leases, including all leasing shop sites, warehouses and offices with lease period of over a year. After the adoption of HKFRS 16, long term leases in the consolidated balance sheet as at 30 April 2020 was separately recognised as right-of-use assets of HK$235,968,000, current lease liabilities of HK$139,354,000 and long-term lease liabilities of HK$94,469,000. Since current liabilities increased significantly by over HK$130 million after the adoption of the new standard, there were significant changes in net current liabilities and current ratio. The actual current ratio of the Group would be higher than that of the previous financial year end if the difference created by new standard were excluded.

The Group's total current liabilities included pledged loans of approximately HK$43,000,000 (HK$19,500,000 repayable within one year; HK$23,500,000 repayable after one year). This bank loan of HK$23,500,000 due for repayment after one year which contains a repayment on demand clause was 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 Repayment on Demand Clause". The management believes that the Group's working capital on hand, together with the banking facilities provided by major financing banks, are sufficient to fund its existing operation.

Management Discussion and Analysis

Charges on Assets

As at 30 April 2020, certain assets of the Group with an aggregate carrying value of approximately HK$547,840,000 (2019: HK$615,802,000) 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 cost currencies 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.

Employees

As at 30 April 2020, the Group had employed approximately 1,700 staff (2019: 1,700). 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.

FUTURE PLAN AND OUTLOOK

In the persisting deep turmoil induced by US-China trade relation and COVID-19 epidemic to global market, the management will impose most prudent business policy to operate with great caution and lead the Group through unprecedented challenges.

The direct import operating model has brought 759 STORE great autonomy in pricing and stability on food supply. Yet, fundamental changes in consumer behavior and either disruption in production or cost increase in shipments posse challenges to the Group and the management's ability to respond to this ever-changing business environment swiftly and tactfully.

Diverse and extensive procurement network has been built with the frequently high-volume self-import model over the years. Intimate partnerships with manufacturers from around the world allows 759 STORE to adjust procurement strategies in timely manner. The Group believes close long term partnership with suppliers is crucial to stable operations, and will continue to keep tight communications and make effort to strengthen the bonding among long term partnerships. 759 STORE will explore broader supply of quality food grocery products in order to extend the sales participation of daily necessities. The capability in autonomy of pricing will be made best use in the execution of "Quick Turnover with Lower Margin" policy and serving the community of Hong Kong. The Group will work in joint hands with consumers, suppliers and staff to fight COVID-19 and withstand the upward pressure on retail prices in the food category.

Management Discussion and Analysis

For retail store network, as the Group will strengthen the position of developing food grocery category, serving local neighbours as its corporate mission, 759 STORE will keep in search of potential sites among daily-necessities shopping malls or shops in residential areas. Since picking suitable shop site is highly subjected to the shop supply in that region, shop position, numbers of people passing by and the shop rent per sq. feet, the Group will examine the indexes built by the shops performance figures in various regions, actively searching for and picking suitable site for new shop. As of the release date of this report, the Group have 2 new shops opened, and 3 other new shops under renovation in new financial year 2020/21. The Group will evaluate the performance of existing shops in detail with various financial indexes for determining whether to renew their tenancy agreements.

Benefited by the improvements made for the business in these years, all major cost elements in retail business have significantly reduced. Even "Quick Turnover with Lower Margin" policy does not bring tremendous profit to the Group, cash flow of the business has steadily increased, in which bank borrowings have gradually decreased. The Group in foreseeable future will develop at steady pace, take measures to increase the cash flow, including firmly sticking to "Quick Turnover with Lower Margin" policy, and in respect of product presentation, improve the product mix by refining and then trimming product items that are regularly carried, so as to focus on products and categories that are relatively fast-moving. Besides, 759 STORE will work together with overseas suppliers to much frequently introduce "limited time only" products of the brands famous in those overseas countries, to provide much more fresh feelings in 759 STORE's shop front windows, so as to enhance the leisure shopping enjoyment of our customers. In summary, the management would lead the Group to well guard our primary business and improve cashflow, in good hope of further decreasing the borrowings and so the operation risk in whole during this very unusual period.

By Order of the Board
Tang Fung Kwan
Chairman

Hong Kong, 29 July 2020

Directors and Senior Management Profile

Directors

Executive Directors

Ms. TANG Fung Kwan, aged 50, 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 19 August 2018. She is responsible for leading the strategic planning, business development and overall management of the Group. Ms. Tang is also the managing director of Coils Electronic (Zhong Shan) Co., Ltd. and a number of other subsidiaries of the Company. She is currently a member of the Remuneration Committee and the Chairman of the Nomination Committee and 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 40, was appointed as an executive director of the Company with effect from 27 September 2011, responsible for the Group's development and application of information technology as well as administration and human resources management. He is also responsible for coordinating marketing-related joint programs and is actively engaged in compliance management of the retail operation. Mr. Ho joined the Group in 2001 and has worked in various departments, duties included information system development, administration and personnel management, company secretary and etc. Since the establishment of 759 STORE, he followed our founder Mr. Lam Wai Chun and continued to take part in various functions of the retail business, including marketing, store operation, shop leasing and etc, from which he has accumulated valuable retail experience. 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. LAM Kwok Chung, aged 28, was appointed as an executive director of the Company with effect from 28 September 2018. He is responsible for overseeing the Group's store operation and marketing functions. Mr. Lam is the sole director of Ka Yan China Development (Holding) Company Limited and a director of Coils Electronic (Zhong Shan) Co., Ltd. and a number of other subsidiaries of the Company. Mr. Lam has been awarded Bachelor of Arts under the Credit Accumulation Mechanism offered by the School of Professional Education and Executive Development, The Hong Kong Polytechnic University in 2014. Mr. Lam joined the Group in 2013.

Directors and Senior Management Profile

Independent Non-Executive Directors

Mr. AU Son Yiu, aged 74, 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 Asia Allied Infrastructure 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.

Mr. GOH Gen Cheung, aged 73, 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 a Certified Banker 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.

Mr. CHAN Chiu Ying, aged 61, 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 30 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 Asia Allied Infrastructure 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.

Directors and Senior Management Profile

Senior Management

Company Secretary

Ms. HO Wing Yi, aged 46, 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 56, 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 37 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.

Mr. WANG Zhengwen, aged 52, 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. LAI Wanru, aged 48, is the head of purchasing of Coils Electronic (Zhong Shan) Co., Ltd. responsible for the purchase, materials procurement and logistics management functions of the Group's coil business as well as the purchasing function of 759 STORE. Ms. Lai has over 30 years of experience in materials procurement, coils production as well as sales and marketing. She has been admitted to the executive diploma in Management Studies in The Hong Kong Polytechnic University in 2005. Ms. Lai joined the Group in 1990.

Directors and Senior Management Profile

Ms. POH Po Leng, aged 51, 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 58, is the head of engineering and quality responsible for the management of 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, China, in 1986 and 1989 respectively. Mr. Zhao joined the Group in 2001.

Retail Business

Ms. LEE Tsz Kei, aged 27, is the business development and operations manager, responsible for strategic sourcing, vendor and merchandizing management, business process optimization and the coordination of new initiatives in the retail business assigned by the managing director, such as to explore and develop new sourcing networks and ways of merchandizing related to healthy living style. 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, the Master Degree of Art in Psychology in The Chinese University of Hong Kong in 2018. Ms. Lee joined the Group in 2015.

Mr. CHEUNG Ming Yat, aged 44, is the head of corporate strategy and development responsible for strategic studies and data analytics of the retail business. He has been admitted to the degree of Bachelor of Finance with Honours in The University of Hong Kong in 1998. Mr. Cheung first joined the Group in 1998 and his most recent joining date was in November 2015.

Ms. SIU Pui Yan, aged 38, is the purchasing manager of retail business, responsible for coordinating the purchases and supplies of the retail business. She has been admitted to the degree of Bachelor of Business Administration in Lingnan University, Hong Kong in 2003. Ms. Siu joined the Group in 2010.

Mr. MORI Kenji, aged 45, is the business development manager of purchasing of retail business, responsible for the purchasing of Japanese snacks and food grocery for 759 STORE. Mr. Mori has over 20 years of experience in areas such as retail on snack and food grocery, purchase management, etc. Mr. Mori joined the Group in 2011.

Directors and Senior Management Profile

Mr. FUKUOKA Kazuaki, aged 56, 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 34 years of experience in areas such as retail of snack and food grocery, shop management, visual merchandising, shop layout design, etc. Mr. Fukuoka joined the Group in 2011.

Mr. OGISHIMA Yoshimasa, aged 35, is the purchasing manager of retail business, responsible for the purchasing of Japanese snacks and food grocery 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 45, is the head of purchasing in China of retail business, responsible for the purchasing of Mainland China products of 759 STORE. He has over 26 years of working experience in management of procurement as well as sales and marketing. Mr. Yang joined the Group in 1994.

Mr. CAO Huizhong, aged 50, 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 42, 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, 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. WONG Sin Kam, aged 58, is the head of shop operation responsible for the management of shop operation and leasing function of 759 STORE. She has over 38 years of working experience in related field. Ms. Wong joined the Group in 1990.

Mr. YIP Chi Ping, aged 55, is the head of shop development and local sourcing responsible for shop development and sourcing of local supplies for 759 STORE. Mr. Yip worked in a large-scale chained supermarket and has over 34 years of experience in retail operations and merchandising. Mr. Yip joined the Group in 2013.

Mr. LEE Sze Ming Bruce, aged 48, is the head of shop management responsible for managing all outlets of 759 STORE. Mr. Lee worked in a large-scale chained convenient store and has over 17 years of experience in shop operations. Mr. Lee joined the Group in 2012.

Mr. HO Kwok Keung, aged 62, 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.

Ms. CHAN Wing Lam, aged 38, is the interior design manager responsible for managing the shop design function of 759 STORE. Ms. Chan has over 14 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.

Report of the Directors

The Directors of the Company (the "Directors") present this report together with the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 30 April 2020.

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 section headed "Management Discussion and Analysis" on pages 6 to 13 of this annual report and Note 3 to the consolidated financial statements as set out on pages 83 to 91 of this annual report. There was no major event affecting the Group that has occurred since the financial year ended 30 April 2020. 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 41 to 49 of this annual report.

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

Outbreak of COVID-19 epidemic

The global outbreak of COVID-19 epidemic has significantly affected people's daily lives and the consumer market. Undoubtedly, the epidemic poses the greatest uncertainty to the Group's future operation. With limited knowledge about the COVID-19 virus, it is difficult to predict when the pandemic will be over. Facing the epidemic, the Group places the protection of our staff's and customers' health as our first and utmost priority, by following the regulations and guidelines of the Hong Kong government and Department of Health and cooperating as much as we can to formulate epidemic prevention measures. With respect to business operation, 759 STORE will maintain closer communication with its major suppliers to ensure the steady supply of food and necessity products.

Report of the Directors

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 57 countries and regions that can disperse to the utmost impacts on import costs arising from fluctuations in currency and economy in a single region.

Fluctuations in External Economic Environment

The development of the China-US trade war has been complicated and confusing, causing abnormal fluctuations in the global stock market and international exchange rate with abrupt surges and sharp falls at different times. Since the end of 2018, the intensifying trade war has already had a significant impact on the incoming orders of the Group's manufacturing business. As for the local retail market, there has not been any significant fluctuation at the moment. However, if the trade war continues to exacerbate and leads to an economic contraction, the impact on the demand for consumer goods will be immeasurable. 759 STORE is positioned as a retailer of daily necessities. In addition to snack foods, it also focuses on the development of staple food items, groceries and daily necessities so as to cope with any large range fluctuations during the change of economic cycles in the future.

Keen competition

With a reversal of sentiment in the retail market, its competition will become even more intense. In addition to all the big names in supermarkets and conveniences stores, the ever-increasing snack stores or small to medium sized shops as new participants in the market have been complicating the aggravated competition. While there has not been any growth in the total volume of the market, there is a constant addition of new participants into market, thus making it an extremely challenging task to maintain the scale of revenue. 759 STORE will continue to adhere to its model of direct import, introduce new products from different places over the world so as to keep a continuously rejuvenating set of products. By taking a development path in market differentiation, 759 STORE will be able to avoid the vicious competition as a result of selling products which are identical with those of the competitors.

Compliance with Laws and Regulations

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

Report of the Directors

Relationship with Customers and Suppliers

759 STORE has its outlets penetrated in almost all residential districts in Hong Kong and has since its establishment endeavored to provide quality services to customers.

On the supply chain front, 759 STORE sticks to its self-import model with suppliers from 57 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 of its business.

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 Group's subsidiaries with local labour laws and regulations in order to ensure fair labour practice among the workforce.

The Group believes that employees are its valuable assets 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 employees with on-job training and development opportunities to enhance their career progression.

Results and appropriations

The results of the Group for the year ended 30 April 2020 are set out in the consolidated income statement on page 56 of this annual report.

No interim dividend has been declared for the year ended 30 April 2020 (2019: Nil). The board of directors of the Company (the "Board") has resolved to recommend, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company, the payment of a final dividend of HK0.50 cent (2019: Nil) per share for the year ended 30 April 2020 payable on or about 29 October 2020 to the shareholders whose names appear on the Company's register of members on 13 October 2020.

Donations

Charitable and other donations made by the Group during the year ended 30 April 2020 amounted to HK$82,000 (2019: HK$455,000).

Principal investment properties

Details of the principal properties of the Group held for investment purposes are set out on page 134 of this annual report.

Report of the Directors

Distributable reserves

As at 30 April 2020, the Company's contributed surplus of approximately HK$131,338,000 (2019: HK$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained earnings of approximately HK$8,613,000 (2019: 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 in 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 2020. 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 2020.

Directors

The Directors who held office during the year ended 30 April 2020 and up to the date of this report were:

Executive Directors

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

Independent non-executive Directors

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

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

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent. Mr. Goh Gen Cheung has served as an independent non-executive Director for more than nine years. Pursuant to the code provision A.4.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, further appointment of Mr. Goh as an independent non-executive Director should be subject to a separate resolution to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for further appointment of Mr. Goh as an independent non-executive Director.

Report of the Directors

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

Directors' service contracts

None of the Directors who will be proposed for re-election at the forthcoming annual general meeting of the Company 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 person (as defined in the Listing Rules) had a material interest, whether directly or indirectly, subsisted at the end of the year under review or at any time during the year.

Biographical details of directors and senior management

Brief biographical details of Directors and senior management of the Group are set out on pages 14 to 18 of this annual report.

Report of the Directors

Director's and chief executive's 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 2020, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Shares of the Company

	Number of shares of HK$0.10 each held			
Name of director	**Personal interests** *(Note 2)*	**Trusts interests**	**Total interests**	**Percentage of issued share capital**
Ms. Tang Fung Kwan	4,194,611	–	4,194,611	0.63%
Mr. Ho Man Lee	30,000	–	30,000	0.0045%
Mr. Lam Kwok Chung	–	442,295,660 *(Note 3)*	442,295,660 *(Note 3)*	66.39%
Mr. Au Son Yiu	3,101,440	–	3,101,440	0.47%

Notes:

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

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

3. The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the "Trust") founded by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company. In the capacity as a discretionary beneficiary of the Trust, Mr. Lam Kwok Chung was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO.

Report of the Directors

(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 Trusts interests	Percentage of issued non-voting deferred shares
Mr. Lam Kwok Chung *(Notes 4 and 5)*	6,000,000	42.86%

Notes:

4. The 6,000,000 non-voting deferred shares were held by Ka Yan China Development (Holding) Company Limited, representing approximately 42.86% of the 14,000,000 non-voting deferred shares in the share capital of 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. Mr. Lam Kwok Chung was deemed to be interested in all these shares under the SFO by virtue of the reason set out in Note 3 to sub-paragraph (a) above.

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

Save as disclosed above, as at 30 April 2020, 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 2020, 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 2020 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 2020, according to the register kept by the Company under Section 336 of the SFO, the following persons, other than the Directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Shares of the Company

Substantial shareholders (as defined in the Listing Rules)

	Number of shares of HK$0.10 each held					
Name	Beneficial owner	Family interests	Corporate interests	Trusts interests	Total interests	Percentage of issued share capital
Ms. Law Ching Yee	–	29,955,188 *(Note 2)*	–	442,295,660 *(Notes 2)*	472,250,848 *(Notes 2)*	70.89%
Ka Yan China Development (Holding) Company Limited	442,295,660 *(Notes 2 and 3)*	–	–	–	442,295,660 *(Notes 2 and 3)*	66.39%
Ka Yan China Investments Limited	–	–	442,295,660 *(Notes 2 and 3)*	–	442,295,660 *(Notes 2 and 3)*	66.39%
HSBC International Trustee Limited	–	–	–	442,295,660 *(Notes 2 and 3)*	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. The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. In the capacity as a discretionary beneficiary of the Trust, Ms. Law Ching Yee 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 29,955,188 shares were held by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company, as beneficial owner. Ms. Law Ching Yee, being the spouse of the late 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 2020, 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 2020.

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 34 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	16%
– five largest suppliers combined	38%

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 32 to the financial statements on page 125 of this annual report 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 29 July 2020 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 2020 and up to the date of this annual report.

Permitted indemnity provision

During the year ended 30 April 2020 and up to the date of this annual report, the Company has maintained the directors' and officers' liability insurance for the Directors and the officers of the Company to provide protection against claims arising from the lawful discharge of duties by such 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.

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

TANG FUNG KWAN
Chairman

Hong Kong, 29 July 2020

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of the Company believes that good corporate governance plays an important role in maintaining and promoting investors' confidence. The Board is responsible for ensuring that the Company maintains 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 2020, except for the following deviation:

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.

   Since 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by the late Mr. Lam Wai Chun, the founding Chairman of the Company. After the pass away of Mr. Lam Wai Chun, Ms. Tang Fung Kwan has been appointed as the Chairman of the Board and the Managing Director of the Company with effect from 19 August 2018 and has carried out the responsibilities of the Chairman and CEO since then. This constitutes a deviation from the code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Tang Fung Kwan has been the key management of the Group for over 25 years and has devoted herself and contributed greatly to the Group's development. She has been the executive director of the Company since its listing on the Stock Exchange in 1999 and has engaged in directing the corporate strategies and operations of the Group. She possesses substantial and valuable experience in the industry and in 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.

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 2019 to 30 April 2020. 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 Ms. Tang Fung Kwan (Chairman and Managing Director), Mr. Ho Man Lee and Mr. Lam Kwok Chung; 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 as 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. Goh Gen Cheung, who has served as an independent non-executive director of the Company for more than nine years, shall retire and, being eligible, offer himself for re-election as an independent non-executive director of the Company at the forthcoming annual general meeting of the Company. Pursuant to code provision A.4.3 of the Code, further appointment of Mr. Goh as an independent non-executive director of the Company should be subject to a separate resolution to be approved by the shareholders of the Company. In this regard, a resolution will be proposed at the forthcoming annual general meeting of the Company for further appointment of Mr. Goh as 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 as set out in Rule 3.13 of the Listing Rules. With his extensive treasury and banking experience, Mr. Goh has provided valuable independent advice for the Group's business development in his previous tenures and contributed to the diversity of the Board. As Mr. Goh is not involved in the day-to-day management of the Company and there is no evidence that his independence would be affected by his length of term, the Board considers that Mr. Goh will continue to provide significant contributions to the Company and its shareholders as a whole.

In accordance with the Company's Bye-laws, one-third of the directors of the Company 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 pursuant to the Company's constitutional documents, statutes and other applicable regulations, and compliance with applicable 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 2020 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 2020, the individual attendance of each Board and committee member at these meetings and the attendance of the Board members at the 2019 AGM are set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Accounts Receivable Supervisory Committee	2019 AGM
Executive Directors						
Tang Fung Kwan	5/5	–	3/3	1/1	1/1	1/1
Ho Man Lee	5/5	–	–	–	–	1/1
Lam Kwok Chung	5/5	–	–	–	–	1/1
Independent Non-Executive Directors						
Au Son Yiu	5/5	4/4	3/3	1/1	1/1	1/1
Goh Gen Cheung	5/5	4/4	3/3	1/1	–	1/1
Chan Chiu Ying	5/5	4/4	3/3	1/1	–	1/1

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Since 29 September 2009, the roles of the Chairman of the Board and the CEO were performed by the late Mr. Lam Wai Chun, the founding Chairman of the Company. After the pass away of Mr. Lam Wai Chun, Ms. Tang Fung Kwan has been appointed as the Chairman of the Board and the Managing Director of the Company with effect from 19 August 2018 and has carried out the responsibilities of the Chairman and CEO since then. Ms. Tang Fung Kwan has been the key management of the Group for over 25 years and has devoted herself and contributed greatly to the Group's development. She has been the executive director of the Company since its listing on the Stock Exchange in 1999 and has engaged in directing the corporate strategies and operations of the Group. She possesses substantial and valuable experience in the industry and in 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 of the Company 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. During the year ended 30 April 2020, the Board reviewed and monitored the training and continuous professional development of the directors and the senior management of the Group. All directors are encouraged to attend relevant training courses at the Company's expense. During the year ended 30 April 2020, the Company has sponsored its directors and relevant staff to attend seminars relating to latest development of applicable laws and regulations, and new technologies in the industry. All directors, namely Ms. Tang Fung Kwan, Mr. Ho Man Lee, Mr. Lam Kwok Chung, Mr. Au Son Yiu, Mr. Goh Gen Cheung and Mr. Chan Chiu Ying had participated in continuous professional development programmes by reading materials and/or attending external training courses, seminars organised 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 2020.

Corporate Governance Report

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Board established a Remuneration Committee on 18 March 2005 with written terms of reference, which are available on the Company's website (www.0759.com), setting out the duties (including but not limited to the duties as required under the Code Provisions of the Code) and authority of the Remuneration Committee. The principal duties of the Remuneration Committee include but not limited to making recommendations to the Board on (i) the Company's policy and structure for all remunerations 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 reviewing and approving 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 2020 are set out below:

	Number of members	
	2020	2019
Emolument bands		
Nil to HK$1,000,000	**19**	24
HK$1,000,000 to HK$1,500,000	**1**	1
	20	25

Further particulars regarding the 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 9 to the financial statements on page 98 of this annual report.

During the year ended 30 April 2020, the Remuneration Committee held three meetings. The works performed by the Remuneration Committee included making recommendation to the Board of the remuneration package (including the relevant service agreement) of an executive director and a member 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 revised salary for the senior management. No director has taken part in any discussion about his/her own remuneration.

The Remuneration Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Au Son Yiu (chairman of the Remuneration Committee), Mr. Goh Gen Cheung and Mr. Chan Chiu Ying.

NOMINATION COMMITTEE

The Board established a Nomination Committee on 21 March 2012 with written terms of reference, which are available on the Company's website (www.0759.com), setting out the duties (including but not limited to the duties as required under the Code Provisions of the Code) and authority of the Nomination Committee. The principal duties of the Nomination Committee include but not limited to reviewing the structure, size, composition and diversity (including the skills, knowledge and experience) of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy and assessing the independence of independent non-executive directors of the Company. The Nomination Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan (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 recognises the importance of the diversity of the composition of the Board for the sustainable and balanced development of the Group in the long term. The Board has adopted a policy (the "Board Diversity Policy") that sets out the approach to achieving the Board's diversity through consideration of 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 appointments of director 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.

Based on the latest review, the Nomination Committee considers the current composition of the Board to be diverse in respect of the evaluation criteria as set out in the Board Diversity Policy. The Nomination Committee has considered but decided not to set any measurable objectives for implementing the Board Diversity Policy. The Nomination Committee will continue to monitor the implementation of the Board Diversity Policy and, for the purpose of ensuring its effectiveness, the Nomination Committee will review this policy and recommend any revisions to the Board for consideration and approval, when necessary.

In December 2018, the Board has adopted a policy (the "Nomination Policy") which sets out the selection criteria and procedures for nominating suitable candidates for appointment as a new director of the Company or to fill a vacancy. When searching candidates for directorship, the Nomination Committee shall invite nominations from the Board members or may also put forward candidates by itself. In assessing the suitability of a proposed candidate, the Nomination Committee will take into consideration factors including, inter alia, the candidate's reputation for integrity, accomplishment and experience, commitment in respect of available time and relevant interest, and benefits to the Company's board diversity. In the case of independent non-executive director, the candidate must also satisfy the independence requirements as set out under any applicable laws, rules and regulations. Shortlisted candidates will then be nominated to the Board for its consideration.

Corporate Governance Report

NOMINATION COMMITTEE *(continued)*

The Nomination Committee shall monitor and review the Nomination Policy to ensure that it remains relevant to the Company's needs and reflects both the regulatory requirements effective from time to time and good corporate governance practice.

The Nomination Committee held one meeting during the year ended 30 April 2020. During this period, the Nomination Committee reviewed the structure, size, composition and diversity of the Board, assessed the independence of an independent non-executive director and made recommendation to the Board for the re-appointment of directors and considered the re-election of retiring directors.

AUDITOR'S REMUNERATION

During the year ended 30 April 2020, the fees paid/payable to the external auditor of the Company, PricewaterhouseCoopers, amounted to approximately HK$2,950,000 for statutory audit services and approximately HK$129,000 for non-audit services (comprising tax and other services) rendered to the Group.

AUDIT COMMITTEE

The Board established the Audit Committee in September 1999 with written terms of reference (including but not limited to the duties as required under the Code Provisions of the Code), which are available on the Company's website (www.0759.com). The Audit Committee currently comprises three independent non-executive directors, namely Mr. Chan Chiu Ying (chairman of the Audit Committee), Mr. Au Son Yiu and Mr. Goh Gen Cheung. The chairman of the Audit Committee possesses the appropriate professional qualifications and experience in accounting, securities and corporate finance. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results of the Company for the year ended 30 April 2020.

The principal duties of the Audit Committee include but not limited to reviewing and overseeing the Group's financial reporting system, internal control procedures, risk management, internal and external audit functions, reviewing the Group's financial information and overseeing the relationship with external auditor.

Regular meetings have been held by the Audit Committee since its establishment. The Audit Committee meets at least twice in each financial year in accordance with its terms of reference. During the year ended 30 April 2020, 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 with relevant rules and regulations in respect thereof), 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 were held during the year ended 30 April 2020.

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 2020, 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.

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 and fraud. The Board's 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 areas 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 unauthorised use or disposition;

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

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROL *(continued)*

- 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 fraud, irregularities, financial and operational risks exposure by the Group; and

- significant control weaknesses, findings and improvement processes are directly reported to the Audit Committee regularly.

During the year ended 30 April 2020, no significant risk management and internal control issues were identified. The Board continued to review the operational effectiveness of the Group's risk management and internal control systems through the Audit Committee, including the approval of internal audit planning and procedures, and the assessment and review of internal audit reports to ensure that a sound and adequate risk management and control environment 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 50 to 55 of this annual 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 of the laws of Hong Kong) 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 that inside information of the Company is to be disseminated to the public in equal and timely manner.

Corporate Governance Report

INVESTOR RELATIONS, SHAREHOLDERS' RIGHTS AND COMMUNICATIONS

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

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

Corporate Governance Report

DIVIDEND POLICY

The Company endeavours to achieve sustainable business development and to generate stable long-term return on shareholders' investment. Subject to any restrictions under the laws of Bermuda, the Bye-Laws of the Company and any applicable laws, rules and regulations, the Company may declare dividend according to the recommendation of the Board. In deciding the Company's dividend distribution and in determining the dividend amount, the Board shall take into account, inter alia, the Group's general financial condition, the Group's actual and future operations and liquidity position, the Group's expected working capital requirements and future expansion plans, general market conditions, as well as any restrictions on payment of dividends, other applicable laws and regulations, and any other factors that the Board deems appropriate.

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.

Environmental, Social and Governance Report

The Group is committed to incorporating sustainable development programs into its corporate strategy and day-to-day operations. This report was prepared according to the four principles of materiality, quantitative, balance and consistency, and has complied with the "Comply or Explain" provisions as set out in the "Environmental, Social and Governance Reporting Guide" in Appendix 27 to 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 covers mainly the sustainable development of our retail business. This report identifies the following material ESG issues during the reporting period from 1 May 2019 to 30 April 2020 (the "Reporting Period"):

ESG Aspects	Material ESG Issues
A. Environmental	
A1 Emissions	Exhaust Gas Emissions Wastes Management Greenhouse Gas Emission
A2 Use of Resources	Energy Conservation Water Resource Packaging Materials
A3 The Environmental and Natural Resources	Reducing Impacts on the Environment
B. Social	
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 committed to complying with laws and regulations regarding environmental protection. Main applicable laws include the Product Eco-responsibility Ordinance (Cap. 603 of the Laws of Hong Kong) and Air Pollution Control (Volatile Organic Compounds) Regulation (Cap. 311W of the Laws of Hong Kong) and etc. The Group ensures that all employees abide by relevant laws and regulations during business operation by updating system procedures, formulating relevant working guidelines and providing staff training. The Group is not aware of any material non-compliance with any laws and regulations in relation to the environment during the Reporting Period.

A1. Emissions

Exhaust Gas Emissions

The exhaust gas emissions generated by the Group's retail business are mainly from the Company's transportation fleet, which is responsible for the distribution and transportation of goods to 177 (2019: 179) outlets of 759 STORE. All pre-Euro IV diesel engine trucks were phased out before June 2018. 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 Reporting Period, we equipped all trucks with GPS system to encourage drivers to adopt environmentally friendly driving practices by monitoring vehicle speed and engine idling while enhancing operational efficiency.

During the Reporting Period, the Group emitted 938,824 grams (2019: 1,507,044 grams) of nitrogen oxides (NOx), 2,261 grams (2019: 2,872 grams) of sulphur oxides (SOx) and 25,633 grams (2019: 40,252 grams) of particulate matter. In the future, we will continue to monitor the changes of these data and take effective measures as appropriate to improve fuel consumption efficiency and reduce emissions of exhaust gas. We will also continuously review our policy on outsourcing logistic companies and release relevant emission data as appropriate.

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

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. Secondly, clearance prices are offered to customers on slow-moving and expiring items to reduce wastage of food. As for a small quantity of products with damaged packaging, we donate them to the needy through the food sharing project of the New Life Psychiatric Rehabilitation Association.

In addition, wastes such as waste paper, toner cartridges and stretch film are produced during the process of retail business operation. The total non-hazardous waste disposed of during the Reporting Period was approximately 83 tonnes (2019: 89 tonnes), with a waste volume per square metre of floor area of 0.0016 tonnes (2019: 0.0016 tonnes). No hazardous waste was produced during the operation process. 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 Reporting Period, we have adopted the following measures in reducing wastes:

– Encourage the staff to use electronic document for circulation and record to reduce printing

– 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

– Send the used paper cartons to recycling stations

– Repair broken cash registers or recycle parts as best as possible to reduce waste

– Reuse some of the furniture and equipment during shop renovation

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(continued)*

A1. Emissions *(continued)*

Greenhouse Gas Emissions

Indirect emissions from electricity consumption in retail shops, offices and warehouses account for a major part of the Group's greenhouse gas emissions. The amounts of greenhouse gas emitted by the Group during the Reporting Period are shown in the following table:

	Unit	**2020**	2019
Scope 1 – Direct Emissions	tCO2e	**383**	484
Scope 2 – Indirect Emissions of Energy	tCO2e	**11,548**	12,725
Scope 3 – Other Indirect Emissions	tCO2e	**72**	76
Total Greenhouse Gas Emissions	tCO2e	**12,003**	13,285
Total Greenhouse Gas Emissions/floor area	tCO2e/square metre	**0.23**	0.24

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 and in terms of economy. Most of the Group's 759 STORE outlets have adopted LED lightings instead of traditional spotlights or fluorescent tubes. For the design of new shops, we have replaced the previously used upright display refrigerators with more energy-efficient chest freezers. 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 Reporting Period is as follows:

	Unit	**2020**	2019
Fuel Consumption	litres	**143,284**	181,159
Power Consumption	kWh	**20,830,439**	22,468,921
Power Consumption/floor area	kWh/square metre	**398**	407

A. ENVIRONMENTAL *(continued)*

A2. Use of Resources *(continued)*

Water Resource

The retail business of our Group is not an industry which uses water intensively. Water resources are mainly used for the cleaning of shops, warehouses and offices as well as for personal hygiene of employees. However, water resource is a matter of increasing global concern, and we have displayed posters in workplaces to remind employees to save water and minimise waste. During the Reporting Period, the total water consumption of our retail business was 18,270 m^3 (2019: 19,850 m^3), and water consumption per square metre of floor area was 0.35 m^3 (2019: 0.36 m^3). We will continuously monitor changes in this data and take measures to maintain water consumption efficiency when appropriate. During the Reporting Period, the Group did not encounter any problems in sourcing water.

Packaging Materials

Plastic bags are also one of the most consumed resources in the retail business. To reduce the use of plastic bags, we strictly implement the environmental levy scheme on plastic shopping bags, and encourage customers to bring their own shopping bags. During the Reporting Period, the proportion of customers who brought their own shopping bags reached 87% (2019: 88%), similar to that of last year. Moreover, since the range of products sold by 759 STORE includes heavy items such as rice and beverages, packaging films are used for transporting goods in order to ensure the safety of employees and passers-by.

During the Reporting Period, the above-mentioned plastic materials for packaging was approximately 99 tonnes (2019: 90 tonnes) in total with a consumption intensity of approximately 0.05 tonnes per HK$1 million sales (2019: 0.05 tonnes), similar to that of last year. We will continue the research on methods to reduce consumption of packaging materials during business operations.

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, Greenpeace, in the beginning of 2017, and committed to terminating the procurement of products that contain micro-plastics.

Environmental, Social and Governance Report

B. SOCIAL

B1. Employment

The Group is an equal opportunity employer, all employment-related decisions such as recruitment or promotion are made based on one's performance and qualification. We strive to create a working environment without discrimination against gender, ages, marital status, pregnancy, disability, family status and race. The Employees' Handbook stipulates our personnel system covering various aspects including recruitment, promotion, dismissal, compensation, commission, working hours, rest periods and other benefits so that employees at all levels can understand the employment policy of the Company.

The management also regularly reviews the Group's subsidiaries with respect to their compliances with local labour laws and regulations, and strengthens the relevant management personnel's understanding of these laws and regulations through external trainings in order to ensure fair and just treatments of labour practices among the workforce. The labour laws applicable to the retail business of the Group mainly include the Employment Ordinance (Cap. 57 of the Laws of Hong Kong), the Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), the Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong), the Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong), the Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong), the Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), the Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong) and the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). During the Reporting Period, there was no material non-compliance with the relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare.

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 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.

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.

For work-related injuries, a task force will be responsible for investigating the cause of the accident, proposing and implementing improvement plans and preventive measures such as updating work safety guidelines and upgrading equipment.

B. SOCIAL *(continued)*

B2. Health and Safety *(continued)*

We also continuously review and improve the environment, facilities and staff equipment of the workplace to ensure compliance with the Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and mitigate any potential safety risks.

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

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. During the period, our staff participated in seminars covering topics such as food safety, occupational safety and health, retail technology application, property lease as well as human resources management, 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 continuing 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 and regulations of its locations of operation, including Employment Ordinance (Chapter 57 of the Laws of Hong Kong), and prohibits the use of child labour and forced or compulsory labour at all its business units. During the recruitment process, the human resources department will examine identification documents of applicants to ensure they have reached the legal working age. During the Reporting Period, 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 57 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 (e.g. sustainable food ingredients and labour standards), we actively maintain close communication with the suppliers to ensure the sustainable development of our business.

Environmental, Social and Governance Report

B. SOCIAL *(continued)*

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 in order to ensure the compliance of the products with the requirements of applicable laws, including the Public Health and Municipal Services Ordinance (Cap. 132 of the Laws of Hong Kong), the Trade Descriptions Ordinance (Cap. 362 of the Laws of Hong Kong) and the Consumer Goods Safety Ordinance (Cap. 456 of the Laws of Hong Kong).

The business of 759 STORE focuses on operations in retailing 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, research reports from the Consumer Council 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.

Personal Data Privacy

The Group recognises the importance of protecting the personal data of customers. A privacy policy is in place to ensure that the collection, use, retention and access of personal data during the course of business are in conformity with the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong). The requirements include obtaining customers' consent prior to data collection and ensuring the data is used only for the purpose for which it has been collected and retained no longer than necessary. The policy is published on the website of 759 STORE.

In terms of confidentiality of data, all employees are required to strictly observe the data confidentiality policy of the Group according to the terms of employment. Relevant procedures are established to provide employees at all levels with clear and specific guidelines on the right of access of confidential and sensitive data and its processing procedures such as transmission, storage, and destruction. Computer system and firewall are also updated regularly to fend off any potential hacking attacks.

B. SOCIAL *(continued)*

B6. Product Responsibility *(continued)*

During the Reporting Period, 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 products' and services' health and safety, advertisements, 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 compliance with The Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), 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. In addition, we will also review and improve the monitoring system on an on-going basis to prevent our staff from committing fraudulent act during the operation process.

During the Reporting Period, the Group has complied with the relevant laws and regulations, and there was no litigation regarding bribery, extortion, fraud and money laundering brought against the Group or its employees.

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

pwc 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 56 to 133, which comprise:

- the consolidated statement of financial position as at 30 April 2020;
- 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 2020, 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 ("HKSAs") 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 matter identified in our audit is summarised as follows:

- Preparation of the consolidated financial statements on a going concern basis

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 2020, the Group's current liabilities exceeded its current assets by HK$163 million.	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
Preparation of the consolidated financial statements on a going concern basis *(continued)*	
To support the going concern basis in preparing the consolidated financial statements, management has prepared a cash flow forecast of the Group covering the next twelve months from 30 April 2020 and concluded that there will be sufficient funds from the Group's existing cash resources, available facilities from banks and cash flows to be generated from its operations to finance its future operations and enable it to meet its financial obligations as and when they fall due in the next twelve months from 30 April 2020. The cash flow forecast involved key assumptions such as revenue growth, gross profit margin, planned capital expenditures, availability of banking facilities to the Group, and successful obtaining of government subsidies. 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.	We also verified the collection of government subsidies subsequent to year end and confirmed with management on their intention and eligibility of obtaining additional subsidies. 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. We considered, based on our audit procedures performed, that the use of going concern basis of accounting to be supportable by available evidence.

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 HKSAs 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 HKSAs, 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.

- 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.

Independent Auditor's Report

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

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, 29 July 2020

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Consolidated Income Statement

For the year ended 30 April 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	1,958,651	1,839,923
Cost of sales	8	(1,326,633)	(1,220,206)
Gross profit		632,018	619,717
Other income	6	2,200	–
Other losses, net	7	(4,532)	(3,528)
Selling and distribution expenses	8	(478,626)	(493,958)
General and administrative expenses	8	(102,164)	(111,886)
Operating profit		48,896	10,345
Finance income		396	36
Finance costs		(30,464)	(19,726)
Finance costs, net	10	(30,068)	(19,690)
Profit/(loss) before income tax		18,828	(9,345)
Income tax expense	11	(6,479)	(176)
Profit/(loss) attributable to equity holders of the Company		12,349	(9,521)
Earnings/(loss) per share, basic and diluted, attributable to equity holders of the Company	12	HK1.85 cents	(HK1.43 cents)

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

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2020

	2020	2019
	HK$'000	*HK$'000*
Profit/(loss) for the year	**12,349**	(9,521)
Other comprehensive loss		
Item that will not be reclassified subsequently to profit or loss		
Change in fair value of equity investments at fair value through other comprehensive income	**(20)**	(63)
Items that have been or may be reclassified subsequently to profit or loss		
Currency translation differences	**(19,356)**	(20,137)
Total comprehensive loss for the year attributable to equity holders of the Company	**(7,027)**	(29,721)

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

Consolidated Statement of Financial Position

As at 30 April 2020

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Land use rights	14	–	16,779
Property, plant and equipment	15	369,744	409,039
Right-of-use assets	16	235,968	–
Investment properties	17	22,977	28,735
Financial assets at fair value through other comprehensive income	18	279	299
Rental deposits	21	36,678	48,223
Deferred tax assets	26	13,642	17,639
		679,288	520,714
Current assets			
Inventories	19	294,121	367,133
Accounts and bills receivable	20	20,429	21,169
Deposits, prepayments and other receivables	21	47,484	42,244
Tax recoverable		72	–
Pledged bank balances	22	31,353	19,629
Cash and cash equivalents	22	62,259	49,501
		455,718	499,676
Non-current asset held-for-sale		–	778
		455,718	500,454
Total assets		1,135,006	1,021,168
EQUITY			
Share capital	23	66,619	66,619
Reserves	24	345,666	359,044
Total equity		412,285	425,663

Consolidated Statement of Financial Position

As at 30 April 2020

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	16	**94,469**	–
Deferred tax liabilities	26	**5,481**	4,661
Provision for reinstatement cost	28	**3,565**	1,666
		103,515	6,327
Current liabilities			
Lease liabilities	16	**139,354**	–
Borrowings	25	**287,134**	388,452
Accounts payable	27	**136,014**	130,360
Accruals and other payables	28	**56,704**	70,317
Taxation payable		**–**	49
		619,206	589,178
Total liabilities		**722,721**	595,505
Total equity and liabilities		**1,135,006**	1,021,168

The consolidated financial statements were approved by the Board of Directors on 29 July 2020 and were signed on its behalf.

Tang Fung Kwan
Director

Lam Kwok Chung
Director

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

Consolidated Statement of Changes in Equity

For the year ended 30 April 2020

	Attributable to equity holders of the Company		
	Share capital *(Note 23)* *HK$'000*	**Reserves** *(Note 24)* *HK$'000*	**Total** *HK$'000*
Balance at 1 May 2018	66,619	388,765	455,384
Loss for the year	–	(9,521)	(9,521)
Other comprehensive loss:			
Change in fair value of financial assets at fair value through other comprehensive income	–	(63)	(63)
Currency translation differences	–	(20,137)	(20,137)
Total comprehensive loss	–	(29,721)	(29,721)
Balance at 30 April 2019	66,619	359,044	425,663
Balance at 1 May 2019, as originally presented	66,619	359,044	425,663
Change in accounting policies *(Note 2.2)*	–	(6,351)	(6,351)
Balance at 1 May 2019, as restated	66,619	352,693	419,312
Profit for the year	–	12,349	12,349
Other comprehensive loss:			
Change in fair value of financial assets at fair value through other comprehensive income	–	(20)	(20)
Currency translation differences	–	(19,356)	(19,356)
Total comprehensive loss	–	(7,027)	(7,027)
Balance at 30 April 2020	66,619	345,666	412,285

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

Consolidated Statement of Cash Flows

For the year ended 30 April 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	342,158	79,860
Hong Kong profits tax paid		(88)	–
Overseas tax paid		(248)	(241)
Net cash generated from operating activities		341,822	79,619
Cash flows from investing activities			
Purchase and deposits paid for purchases of property, plant and equipment		(7,807)	(7,752)
Proceeds from disposal of investment properties		–	6,680
Proceeds from disposal of non-current assets held for sale		5,600	–
Proceeds from disposal of property, plant and equipment	29(a)	6,849	476
Net cash generated from/(used in) investing activities		4,642	(596)
Cash flows from financing activities			
Proceeds from borrowings		1,164,933	1,061,785
Repayments of borrowings		(1,264,521)	(1,069,297)
Increase in pledged bank deposits		(11,724)	(6,680)
Interest received		396	36
Interest paid		(18,486)	(18,345)
Principal element of lease payments		(176,995)	–
Interest element of lease payments		(13,477)	–
Net cash used in financing activities		(319,874)	(32,501)
Increase in cash and cash equivalents		26,590	46,522
Exchange difference		(12,102)	(11,757)
Cash and cash equivalents at the beginning of the year		47,771	13,006
Cash and cash equivalents at the end of the year	29(b)	62,259	47,771

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, 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 Kwok Chung.

These consolidated financial statements are presented in thousands of Hong Kong dollars, unless otherwise stated.

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 financial assets at fair value through other comprehensive income 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 2020, the Group's current liabilities exceeded its current assets by HK$163,488,000 (2019: HK$88,724,000). This net current liabilities position was mainly attributable to (i) the adoption of HKFRS 16 "Leases" resulting in the recognition of lease liabilities of HK$139,354,000 in current liabilities and HK$94,469,000 in non-current liabilities, respectively, while the associated right-of-use assets amounting to HK$220,498,000 were recognised in non-current assets (see Note 16); and (ii) as at 30 April 2020, the Group's total borrowings amounted to HK$287,134,000 (2019: HK$388,452,000) and are repayable within twelve months from 30 April 2020 (see Note 25). The total borrowings in current liabilities included bank borrowings of HK$23,500,000, whilst contractually due for repayment after one year from the balance sheet date, contain a repayable on demand clause and therefore have been 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".

The Group's cash and cash equivalents amounted to HK$62,259,000 (2019: HK$49,501,000) as at 30 April 2020 (see Note 22).

Amidst the challenging business environment, the Group continues to make payment to suppliers of merchandise and renovation of stores according to predetermined payment terms, and continues to make scheduled repayment of bank borrowings and interest.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(a) Going concern basis (continued)

Management closely monitors the Group's financial performance and liquidity position to assess the Group's ability to continue as a going concern. In view of these circumstances, the management has been continuously 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) continuously revisiting its marketing strategies and pricing policies, (ii) continuing its measures to control capital and operating expenditures, (iii) negotiating with the landlords for rental reduction upon renewal of relevant tenancy agreements, and (iv) monitoring the development of COVID-19 pandemic, evaluating its impact on the Group's operation and taking proactive measures where appropriate, including but not limited to heightening of hygiene and epidemic prevention measures in the stores and application of support schemes provided by the HKSAR government. The management believes that these measures will further improve the Group's operating profitability and the resulting cash flows. With respect to the Group's bank financing, the Group maintains continuous communications with its banks and has successfully renewed the bank facilities with one of its principal banks in February 2020. As at 30 April 2020, the Group had unutilised bank facilities of HK$235,666,000 of which unutilised trade financing facilities amounted to HK$217,866,000 and unutilised overdraft facilities amounted to HK$17,800,000 (see Note 31), which are available to be drawn by the Group during the next twelve months. 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 2020. 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 2020. 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 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 2020. 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 and amended standards and interpretation adopted by the Group*

The following new and amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 May 2019:

HKAS 19 (Amendment)	Plan amendment, curtailment or settlement
HKAS 28 (Amendment)	Long-term interests in associates and joint ventures
HKFRS 9 (Amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HKFRSs (Amendments)	Annual improvements 2015-2017 cycle
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The Group changed its accounting policies for leases with effect from 1 May 2019 following the adoption of HKFRS 16 "Leases" ("HKFRS 16") as disclosed in Note 2.2 below. All other amendments to standards and interpretation listed above do not have a significant effect on the Group's accounting policies.

(c) *New and amended standards not yet adopted*

The following new and amended standards have been issued but are not mandatory for the year ended 30 April 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material (1)
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting (1)
HKFRS 3 (Amendment)	Definition of a business (1)
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting (1)
HKFRS 17	Insurance contracts (2)
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture (3)

(1) Effective for the Group for annual period beginning on 1 May 2020
(2) Effective for the Group for annual period beginning on 1 May 2021
(3) Effective date to be determined

The Group will apply the above new and amended standards when they become effective. The Group anticipates that the application of the above new and amended standards have no material impact on the results and the financial position of the Group.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 on the Group's financial statements.

The Group has adopted HKFRS 16 from 1 May 2019, but has not restated comparatives for the year ended 30 April 2019, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 May 2019. The new accounting policies are disclosed in Note 2.26.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 May 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 4.8%.

(a) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease".

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies *(continued)*

(b) *Measurement of lease liabilities*

	HK$'000
Operating lease commitments disclosed as at 30 April 2019	337,069
Less: Leases committed but not yet commenced as at 1 May 2019	(24,524)
Operating lease commitments of leases commenced as at 1 May 2019	312,545
Discounted using the lessee's incremental borrowing rate at the date of initial application	288,160
Less: Short-term leases recognised on a straight-line basis as expense	(4,093)
Lease liabilities recognised as at 1 May 2019	284,067
Of which are:	
Current lease liabilities	159,608
Non-current lease liabilities	124,459
	284,067

(c) *Measurement of right-of-use assets*

The associated right-of-use assets were measured as if the new rules had been applied since the commencement date of the leases, but discounted using the lessee's incremental borrowing rate at the date of initial application. In addition, land use rights previously presented as a separate item on the consolidated statement of financial position were grouped as part of right-of-use assets with effect from 1 May 2019.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies *(continued)*

(d) Adjustments recognised in the consolidated statement of financial position on 1 May 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 May 2019:

Consolidated statement of financial position (extract)	**30 April 2019 (as originally presented)** *HK$'000*	**Effect of the adoption of HKFRS 16** *HK$'000*	**1 May 2019 (as restated)** *HK$'000*
Non-current assets			
Right-of-use assets	–	286,871	286,871
Land use rights	16,779	(16,779)	–
Property, plant and equipment	409,039	(1,073)	407,966
Deferred tax assets	17,639	1,447	19,086
Current assets			
Deposits, prepayments and other receivables	42,244	(3,070)	39,174
Equity			
Reserves	359,044	(6,351)	352,693
Non-current liabilities			
Lease liabilities	–	124,459	124,459
Current liabilities			
Lease liabilities	–	159,608	159,608
Accruals and other payables	70,317	(10,320)	59,997

(e) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.3 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 2019 and 2020 were used, after making adjustments which are considered necessary by the directors of the Company for compliance with HKFRS.

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)*

2.4 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.

2.5 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 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.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.5 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)*

2.6 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 2.8).

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)*

2.7 Investment properties

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

2.8 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. Other 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 which are largely independent of the cash inflows from other assets or groups of assets (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)*

2.9 Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale continue to be recognised. Non-current assets classified as held-for-sale are presented separately from the other assets in the consolidated statement of financial position.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurements categories: those to be measured subsequently at fair value either through other comprehensive income or through profit or loss and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flow.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrecoverable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI"). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2 Summary of significant accounting policies *(continued)*

2.10 Financial assets *(continued)*

(c) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as financial assets at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Equity investments
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other gains/(losses), net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.11 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.

2.12 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.

2.13 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. See Note 2.10 for further information about the Group's accounting for accounts and other receivables for a description of the Group's impairment policies.

2.14 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.

2.15 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.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.16 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.

2.17 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)*

2.17 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.

2.18 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.

2.19 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)*

2.19 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.

2.20 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)*

2.21 Revenue recognition

(a) *Sale of goods – retail*

Revenue from sales of goods is recognised when control of the products has transferred, which generally coincides with the time when the goods are delivered to customers and title has passed.

(b) *Sale of goods – electronic components manufacturing*

Sales are recognised when the control of the products are transferred to the customers at a point in time, being products are delivered to the customers, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customers.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.22 Rental income

Rental income from operating leases where the Group is a lessor is recognised on a straight line basis over the lease term.

2.23 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.24 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.

2.25 Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

2 Summary of significant accounting policies *(continued)*

2.26 Leases

As explained in Note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in Note 2.2.

Until 30 April 2019, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 May 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received, and makes adjustments specific to the lease.

Notes to the Financial Statements

2 Summary of significant accounting policies *(continued)*

2.26 Leases *(continued)*

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- any restoration cost.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2.27 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.

2.28 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 right-of-use asset in the consolidated statement of financial position (see Note 2.26).

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 2020, if Hong Kong dollars had strengthened/weakened by 2% against Renminbi with all other variables held constant, post-tax profit for the year would have been approximately HK$2,211,000 higher/lower (2019: post-tax loss for the year would have been approximately HK$2,212,000 lower/higher), mainly as a result of the translation of Renminbi denominated assets.

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 2020, if Hong Kong dollars had strengthened/weakened by 3% against Japanese Yen with all other variables held constant, post-tax profit for the year would have been approximately HK$1,272,000 higher/lower (2019: post-tax loss for the year would have been approximately HK$2,717,000 lower/higher), mainly as a result of foreign exchange gains/losses on translation of Japanese Yen denominated payables and borrowings.

As at 30 April 2020, if Hong Kong dollars had strengthened/weakened by 3% against Euro with all other variables held constant, post-tax profit for the year would have been approximately HK$261,000 higher/lower (2019: post-tax loss for the year would have been approximately HK$565,000 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.

(i) Risk management

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 26% 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 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.

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss ("ECL") model:

– Accounts receivable

– Other financial assets at amortised costs

While cash and cash equivalents are also subject to the impairment of HKFRS 9, the identified impairment loss is immaterial, as all of the Group's bank deposits were placed with major financial institutions incorporated in Hong Kong, which management believes are of high-credit-quality without significant credit risk.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Accounts receivable

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 30 April 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified payment pattern, creditworthiness, the past collection history of each customer, the probability of insolvency or significant financial difficulties of the counterparty and default or significant delay in payments to be most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to the Financial Statements

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) *Credit risk (continued)*

(ii) Impairment of financial assets (continued)

Accounts receivable (continued)

On that basis, the loss allowance as at 30 April 2020 and 30 April 2019 was determined as follows for accounts receivable:

	Current	Overdue by 1-30 days	Overdue by 31-60 days	Overdue by 61-90 days	Overdue by 91 days-1 year	Overdue by 1-2 years	Overdue by over 2 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 30 April 2020								
Expected loss rate	–	0.3%	0.3%	0.4%	31.3%	33.8%	100%	
Gross carrying amount – Accounts receivable	16,505	1,287	616	570	195	68	4,643	23,884
Loss allowance	–	4	2	2	61	23	4,643	4,735
At 30 April 2019								
Expected loss rate	–	2.3%	2.4%	2.4%	66.7%	–	93.9%	
Gross carrying amount – Accounts receivable	16,520	2,664	995	754	24	–	5,480	26,437
Loss allowance	–	64	24	18	16	–	5,146	5,268

Other financial assets at amortised cost

For other financial assets at amortised cost, including deposits and other receivables, the loss allowance was based on the 12-month ECL as there was no significant increase of credit risk since initial recognition of these financial assets.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(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 2020, the Group's current liabilities exceeded its current assets by approximately HK$163,488,000. 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.

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

	Less than 1 year	**Between 1 year and 2 years**	**Between 2 years and 5 years**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 30 April 2020				
Borrowings	**275,347**	**15,063**	**9,349**	**299,759**
Accounts payable	**136,014**	**–**	**–**	**136,014**
Accruals and other payables	**14,531**	**–**	**–**	**14,531**
Lease liabilities	**147,359**	**78,447**	**18,932**	**244,738**
	573,251	**93,510**	**28,281**	**695,042**
At 30 April 2019				
Borrowings	385,495	7,781	2,594	395,870
Accounts payable	130,360	–	–	130,360
Accruals and other payables	25,527	–	–	25,527
	541,382	7,781	2,594	551,757

Notes to the Financial Statements

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk (continued)

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.

	On demand *HK$'000*	Less than 1 year *HK$'000*	Between 1 year and 2 years *HK$'000*	Between 2 years and 5 years *HK$'000*	Total *HK$'000*
At 30 April 2020					
Borrowings	**287,134**	**–**	**–**	**–**	**287,134**
Accounts payable	**–**	**136,014**	**–**	**–**	**136,014**
Accruals and other payables	**–**	**14,531**	**–**	**–**	**14,531**
Lease liabilities	**–**	**147,359**	**78,447**	**18,932**	**244,738**
	287,134	**297,904**	**78,447**	**18,932**	**682,417**
At 30 April 2019					
Borrowings	388,452	–	–	–	388,452
Accounts payable	–	130,360	–	–	130,360
Accruals and other payables	–	25,527	–	–	25,527
	388,452	155,887	–	–	544,339

(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 22 and 25. As at 30 April 2020, if the market interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$808,000 lower/higher (2019: post-tax loss for the year would have been approximately HK$1,333,000 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.

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 2020 and 2019 were as follows:

	2020	2019
	HK$'000	*HK$'000*
Total borrowings *(Note 25)*	**287,134**	388,452
Less: Bank balances and cash (including pledged bank deposits) *(Note 22)*	**(93,612)**	(69,130)
Net debt	**193,522**	319,322
Total equity	**412,285**	425,663
Total capital	**605,807**	744,985
Gearing ratio	**32%**	43%

Notes to the Financial Statements

3 Financial risk management *(continued)*

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.

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).

3 Financial risk management *(continued)*

3.3 Fair value estimation *(continued)*

The following table presents the Group's assets that are measured at fair value at 30 April 2020:

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial assets at FVOCI				
– Equity securities	**279**	**–**	**–**	**279**

The following table presents the Group's assets that are measured at fair value at 30 April 2019:

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at FVOCI				
– Equity securities	299	–	–	299

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 2020, the Group's current liabilities exceeded its current assets by HK$163,488,000 (2019: HK$88,724,000). 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 right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of property, plant and equipment and right-of-use assets 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.

(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.

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 2020 and 2019 is as follows:

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue										
External sales	**1,886,705**	1,730,024	**70,727**	108,972	**1,219**	927	**–**	–	**1,958,651**	1,839,923
Intersegment sales	**–**	–	**–**	–	**1,585**	1,585	**(1,585)**	(1,585)	**–**	–
	1,886,705	1,730,024	**70,727**	108,972	**2,804**	2,512	**(1,585)**	(1,585)	**1,958,651**	1,839,923
Segment results										
Operating profit/(loss)	**70,273**	11,874	**(7,327)**	13,158	**(5,292)**	(5,386)			**57,654**	19,646
Corporate expenses									**(8,758)**	(9,301)
Finance costs, net									**(30,068)**	(19,690)
Profit/(loss) before income tax									**18,828**	(9,345)
Income tax expense									**(6,479)**	(176)
Profit/(loss) for the year									**12,349**	(9,521)
Depreciation and amortization	**(209,527)**	(25,470)	**(4,632)**	(5,453)	**–**	–			**(214,159)**	(30,923)
Reversal of/(provision for) impairment of property, plant and equipment	**284**	1,223	**(6,833)**	–	**–**	–			**(6,549)**	1,223
Reversal of impairment for right-of-use assets	**2,211**	–	**–**	–	**–**	–			**2,211**	–
Reversal of provision for onerous contracts	**–**	1,463	**–**	–	**–**	–			**–**	1,463
Total distribution cost and administrative expenses	**(557,632)**	(581,326)	**(13,047)**	(14,065)	**(1,353)**	(1,152)			**(572,032)**	(596,543)
Capital expenditures	**7,477**	7,459	**330**	292	**–**	–			**7,807**	7,751

Notes to the Financial Statements

5 Segment information *(continued)*

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**905,673**	755,676	**195,719**	223,017	**23,734**	29,922	**(3,943)**	(5,239)	**1,121,183**	1,003,376
Unallocated assets										
– Deferred tax assets									**13,642**	17,639
– Corporate assets									**181**	153
Total assets									**1,135,006**	1,021,168
Segment liabilities	**416,855**	182,710	**12,150**	18,505	**4,063**	5,380	**(3,943)**	(5,239)	**429,125**	201,356
Borrowings									**287,134**	388,452
Unallocated liabilities										
– Deferred tax liabilities									**5,481**	4,661
– Taxation payable									**–**	49
– Corporate liabilities									**981**	987
Total liabilities									**722,721**	595,505

Geographical information

	Revenue		Non-current assets	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong Special Administrative Region)	**1,932,062**	1,801,016	**679,247**	520,648
Other countries/regions	**26,589**	38,907	**41**	66
	1,958,651	1,839,923	**679,288**	520,714

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 2020, no revenue was derived from transactions with a single external customer representing 10% or more of the Group's total revenue (2019: same).

Notes to the Financial Statements

6 Other income

	2020	2019
	HK$'000	*HK$'000*
Government subsidies	2,200	–

7 Other losses, net

	2020	2019
	HK$'000	*HK$'000*
Net fair value loss on investment properties *(Note 17)*	(5,005)	(5,010)
Net gain on disposal of property, plant and equipment	2,200	259
Net gain on disposal of non-current asset held-for-sale	4,822	–
Net (provision for)/reversal of impairment of properties, plant and equipment *(Note 15)*	(6,549)	1,223
	(4,532)	(3,528)

Notes to the Financial Statements

8 Expenses by nature

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

	2020	2019
	HK$'000	*HK$'000*
Auditors' remuneration		
– audit services	**2,950**	2,830
– non-audit services	**129**	129
Amortisation of land use rights *(Note 14)*	**–**	509
Cost of inventories recognised as expenses included in cost of sales	**1,302,771**	1,188,746
Depreciation of property, plant and equipment *(Note 15)*	**29,145**	30,414
Direct operating expenses arising from investment properties that generate rental income	**153**	151
Employee benefit expenses (including directors' emoluments) *(Note 9)*	**259,520**	271,081
Net exchange gains		
– recognised in cost of sales	**(29,247)**	(29,357)
– recognised in general and administrative expenses	**(16,510)**	(15,737)
Depreciation of right-of-use assets *(Note 16)*	**185,014**	–
Expenses relating to short-term leases and variable lease payments *(Note 16)*	**4,438**	–
Operating lease rentals		
– basic rent	**–**	209,690
– turnover rent	**–**	329
Reversal of impairment of right-of-use assets *(Note 16)*	**(2,211)**	–
Reversal of provision for onerous contracts	**–**	(1,463)
Net reversal of impairment loss on financial assets *(Note 20)*	**(533)**	(975)
Reversal of impairment of inventories	**(2,472)**	(4,765)
Utility expenses	**61,011**	66,653
Freight and transportation	**51,689**	47,568
Other expenses	**61,576**	60,247
Total cost of sales, selling and distribution expenses and general and administrative expenses	**1,907,423**	1,826,050

9 Employee benefit expenses

	2020	2019
	HK$'000	*HK$'000*
Wages and salaries	**240,155**	249,496
Pension costs – defined contribution plans *(Note a)*	**16,980**	18,942
Staff welfare	**2,385**	2,643
	259,520	271,081

(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

9 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 2020, aggregate contributions made by the Group to the aforementioned schemes amounted to approximately HK$16,980,000 (2019: HK$18,942,000), with no deduction of forfeited contributions (2019: Nil). As at 30 April 2020, 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 two (2019: one) directors whose emoluments are reflected in the analysis in Note 34 to the consolidated financial statements. The emoluments paid/payable to the remaining three (2019: four) individuals during the year are as follows:

	2020	2019
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	**2,920**	3,915
Contributions to pension schemes	**72**	73
	2,992	3,988

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
Emolument bands		
Nil to HK$1,000,000	**2**	2
HK$1,000,000 - HK$1,500,000	**1**	2
	3	4

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

9 Employee benefit expenses *(continued)*

(c) Senior management's emoluments by band

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

	Number of individuals	
	2020	2019
Emolument bands		
Nil to HK$1,000,000	**19**	24
HK$1,000,000 - HK$1,500,000	**1**	1
	20	25

10 Finance costs, net

	2020	2019
	HK$'000	*HK$'000*
Interest expense on bank borrowings	**16,987**	19,726
Interest expense on lease liabilities *(Note 16)*	**13,477**	–
Interest income from bank deposits	**(396)**	(36)
	30,068	19,690

Notes to the Financial Statements

11 Income tax expense

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

	2020 HK$'000	2019 HK$'000
Hong Kong profits tax		
– current tax	–	15
– (Over)/under-provision in prior years	(2)	7
Overseas income tax including Mainland China		
– current tax	217	142
Deferred income tax *(Note 26)*	6,264	12
Total income tax expense	6,479	176

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% (2019: 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% (2019: 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.

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:

	2020 HK$'000	2019 HK$'000
Profit/(loss) before income tax	18,828	(9,345)
Tax calculated at weighted average domestic tax rates applicable to profits in the respective territories	2,248	(829)
Tax effect on income not subject to income tax	(464)	(318)
Tax effect on expenses not deductible for income tax purposes	662	2,778
Utilisation of previously unrecognised tax losses	(56)	(2,007)
Tax losses for which no deferred tax is recognised	2,289	542
Temporary differences for which no deferred tax asset is recognised	1,800	–
(Over)/under-provision in prior years	(2)	7
Others	2	3
	6,479	176

Notes to the Financial Statements

12 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the consolidated profit attributable to equity holder of approximately HK$12,349,000 (2019: loss attributable to equity holder of approximately HK$9,521,000) and the weighted average number of 666,190,798 (2019: 666,190,798) shares in issue during the year.

For the years ended 30 April 2020 and 30 April 2019, diluted earnings/(loss) per share equals basic earnings/(loss) per share as there was no dilutive potential share.

13 Dividend

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend of HK0.50 cent (2019: Nil) per share	**3,331**	–

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

14 Land use rights

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

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**16,779**	18,240
Transfer to right-of-use assets on adoption of HKFRS 16 *(Note 2.2)*	**(16,779)**	–
Exchange differences	**–**	(952)
Amortisation (included in cost of sales)	**–**	(509)
At the end of the year	**–**	16,779

Notes to the Financial Statements

15 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
Year ended 30 April 2019						
Opening net book amount	359,537	15,833	28,864	31,885	1,899	438,018
Exchange differences	(3,984)	–	(2,035)	(476)	(49)	(6,544)
Additions	–	3,639	283	2,384	1,445	7,751
Disposal	–	(107)	(90)	(10)	(10)	(217)
Depreciation	(10,993)	(8,232)	(1,917)	(7,940)	(1,332)	(30,414)
Reversal of impairment *(Note 7)*	–	1,223	–	–	–	1,223
Transfer to non-current asset held-for -sale	(778)	–	–	–	–	(778)
Closing net book amount	343,782	12,356	25,105	25,843	1,953	409,039
At 30 April 2019						
Cost	442,728	111,853	646,486	169,845	21,628	1,392,540
Accumulated depreciation and impairment	(98,946)	(99,497)	(621,381)	(144,002)	(19,675)	(983,501)
Net book amount	343,782	12,356	25,105	25,843	1,953	409,039
Year ended 30 April 2020						
Opening net book amount	343,782	12,356	25,105	25,843	1,953	409,039
Transfer to right-of-use assets on adoption of HKFRS 16 *(Note 2.2)*	–	(1,073)	–	–	–	(1,073)
Exchange differences	(3,568)	–	(1,657)	(424)	(37)	(5,686)
Additions	–	5,125	32	1,846	804	7,807
Disposal	(3,202)	–	(677)	(758)	(12)	(4,649)
Depreciation	(10,884)	(6,097)	(1,297)	(10,089)	(778)	(29,145)
Reversal of/(provision for) impairment *(Note 7)*	–	284	(6,724)	(109)	–	(6,549)
Closing net book amount	326,128	10,595	14,782	16,309	1,930	369,744
At 30 April 2020						
Cost	433,758	97,738	608,091	153,010	20,785	1,313,382
Accumulated depreciation and impairment	(107,630)	(87,143)	(593,309)	(136,701)	(18,855)	(943,638)
Net book amount	326,128	10,595	14,782	16,309	1,930	369,744

During the year, depreciation expense of approximately HK$5,620,000 (2019: HK$6,280,000), HK$13,914,000 (2019: HK$14,012,000) and HK$9,611,000 (2019: HK$10,122,000) was charged to cost of sales, selling and distribution expenses and general and administrative expenses respectively.

15 Property, plant and equipment *(continued)*

Land and buildings with an aggregate carrying amount of approximately HK$260,653,000 as at 30 April 2020 (2019: HK$272,275,000) were pledged against certain of the Group's borrowings (Note 31).

The Group performed assessment on impairment of leasehold improvements and right-of-use assets of its retail stores by considering the recoverable amount of such assets at store level. Key inputs to the determination of the recoverable amount includes revenue growth and gross profit margin. As at 30 April 2020, an accumulated provision for impairment of approximately HK$186,000 (2019: HK$1,061,000) and HK$451,000 (2019: Nil) was included in the net book value of leasehold improvements and right-of-use assets, respectively.

During the year, the Group recognised an impairment of approximately HK$6,833,000 in relation to certain machinery and furniture and equipment of a closed production line of the electronic component manufacturing business.

16 Leases

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	30 April 2020	1 May 2019
	HK$'000	*HK$'000*
Right-of-use assets		
Properties leases	**220,498**	270,092
Land use right	**15,470**	16,779
	235,968	286,871
Lease liabilities		
Current	**139,354**	159,608
Non-current	**94,469**	124,459
	233,823	284,067

Addition to the right-of-use assets during the 2020 financial year was approximately HK$148,427,000.

Notes to the Financial Statements

16 Leases *(continued)*

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2020	2019
	HK$'000	*HK$'000*
Depreciation of right-of-use assets	**185,014**	–
Reversal of impairment of right-of-use assets	**(2,211)**	–
Interest on lease liabilities	**13,477**	–
Expenses relating to short-term leases and variable lease payments	**4,438**	–

The total cash outflow for leases in 2020 was HK$190,472,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets in relation to properties leases may not be used as security for borrowing purposes.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occur.

(v) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by both the Group and the respective lessor.

17 Investment properties

	2020	2019
	HK$'000	*HK$'000*
At the beginning of the year	**28,735**	41,308
Net fair value loss *(Note 7)*	**(5,005)**	(5,010)
Disposal	**–**	(6,680)
Exchange difference	**(753)**	(883)
At the end of the year	**22,977**	28,735

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$12,390,000 as at 30 April 2020 (2019: HK$15,050,000) were pledged against certain of the Group's borrowings (Note 31).

The consolidated income statement includes rental income from investment property of HK$1,219,000 (2019: HK$927,000) and related direct operating expenses of approximately HK$153,000 (2019: HK$151,000).

The Group's investment properties were valued at 30 April 2020 by Castores Magi (Hong Kong) Limited, independent professionally qualified valuer who holds recognised relevant professional qualifications and have relevant experience in respect of the investment properties valued. The revaluation gains or losses are included in 'Other losses, net' in the consolidated income statement (Note 7).

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

Notes to the Financial Statements

17 Investment properties *(continued)*

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

	Fair value measurements at 30 April 2020 using		
Description	**Quoted prices in active markets for identical assets (Level 1)** *HK$'000*	**Significant other observable inputs (Level 2)** *HK$'000*	**Significant unobservable inputs (Level 3)** *HK$'000*
Recurring fair value measurements:			
Investment properties	**–**	**–**	**22,977**

	Fair value measurements at 30 April 2019 using		
Description	Quoted prices in active markets for identical assets (Level 1) *HK$'000*	Significant other observable inputs (Level 2) *HK$'000*	Significant unobservable inputs (Level 3) *HK$'000*
Recurring fair value measurements:			
Investment properties	–	–	28,735

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.

17 Investment properties *(continued)*

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

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

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

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

Description	Fair value at 30 April 2020 *HK$'000*	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shop – HK	6,300	Market comparable	Price per square feet	HK$13,696 per square feet	The higher the price per square feet, the higher the fair value
Residential building – HK	6,090	Market comparable	Price per square feet	HK$8,852 per square feet	The higher the price per square feet, the higher the fair value
Commercial building – PRC	10,587	Market comparable	Price per square feet	RMB3,047 per square feet	The higher the price per square feet, the higher the fair value
	22,977				

Notes to the Financial Statements

17 Investment properties *(continued)*

Description	Fair value at 30 April 2019 *HK$'000*	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Shop – HK	8,640	Market comparable	Price per square feet	HK$18,783 per square feet	The higher the price per square feet, the higher the fair value
Residential building – HK	6,410	Market comparable	Price per square feet	HK$9,317 per square feet	The higher the price per square feet, the higher the fair value
Commercial building – PRC	13,685	Market comparable	Price per square feet	RMB3,695 per square feet	The higher the price per square feet, the higher the fair value
	28,735				

18 Financial assets at fair value through other comprehensive income

	2020 **HK$'000**	2019 *HK$'000*
Equity securities listed in Hong Kong – Financial asset at fair value through other comprehensive income	**279**	299

19 Inventories

	2020	2019
	HK$'000	*HK$'000*
Retail business		
– Merchandise	**244,118**	311,559
Electronic components manufacturing		
– Raw materials	**36,963**	39,604
– Work-in-progress	**4,830**	5,752
– Finished goods	**8,210**	10,218
	294,121	367,133

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$1,302,771,000 (2019: HK$1,188,746,000).

As at 30 April 2020, certain of the Group's inventories were pledged as collateral for the Group's import and trust receipt loans (Note 31).

20 Accounts and bills receivable

	2020	2019
	HK$'000	*HK$'000*
Accounts receivable	**23,884**	26,437
Less: provision for impairment of receivables	**(4,735)**	(5,268)
Accounts receivable, net	**19,149**	21,169
Bills receivable	**1,280**	–
Accounts and bills receivable, net	**20,429**	21,169

Notes to the Financial Statements

20 Accounts and bills receivable *(continued)*

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

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**11,924**	10,368
31-60 days	**3,408**	5,853
61-90 days	**891**	1,631
91-120 days	**1,570**	2,370
Over 120 days	**6,091**	6,215
	23,884	26,437
Less: loss allowance	**(4,735)**	(5,268)
	19,149	21,169

As at 30 April 2020 and 30 April 2019, the carrying amount of accounts and bills receivable approximated its fair value.

The Group primarily offers an average credit period ranging from 30 to 120 days to its non-retail business customers (2019: 30 to 120 days).

The Group's credit risk control and the analysis of concentration of credit risk are disclosed in Note 3.

Movements on the loss allowance are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 May	**5,268**	6,243
Decrease in loss allowance recognised in the profit or loss during the year	**(533)**	(975)
At 30 April	**4,735**	5,268

The creation and release of loss allowance have been included in general and administrative expenses in the consolidated income statement (Note 8).

Notes to the Financial Statements

20 Accounts and bills receivable *(continued)*

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

	2020 HK$'000	2019 HK$'000
Hong Kong dollars	6,689	5,131
Renminbi	6,797	5,571
United States dollars	6,943	10,179
Other currencies	–	288
	20,429	21,169

21 Deposits, prepayments and other receivables

	2020 HK$'000	2019 HK$'000
Prepayments and deposits for purchase of inventories	14,307	8,305
Rental deposits and prepaid rent	65,025	75,683
Other deposits and other receivables	4,830	6,479
	84,162	90,467
Less:		
Non-current portion of rental deposits	(36,678)	(48,223)
	47,484	42,244

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

	2020 HK$'000	2019 HK$'000
Hong Kong dollars	67,227	76,285
Renminbi	1,634	1,796
Japanese Yen	4,356	4,218
Other currencies	30	1,042
	73,247	83,341

As at 30 April 2020 and 30 April 2019, the carrying amount of deposits and other receivables approximated its fair value.

As at 30 April 2020, HK$73,247,000 (2019: HK$83,341,000) of loans and receivables was included in deposits, prepayments and other receivables.

Notes to the Financial Statements

22 Pledged bank balances and cash and cash equivalents

	2020	2019
	HK$'000	*HK$'000*
Pledged bank balances *(Note a)*	**31,353**	19,629
Cash and cash equivalents *(Note b)*	**62,259**	49,501
	93,612	69,130

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong dollars	**77,083**	58,809
Renminbi	**12,483**	6,787
United States dollars	**2,075**	1,731
Other currencies	**1,971**	1,803
	93,612	69,130

Notes:

(a) As at 30 April 2020, the Group's bank balances of approximately HK$31,353,000 (2019: HK$19,629,000) were pledged as collateral for the Group's borrowings (Note 31). As at 30 April 2020, the pledged bank balances had a maturity of three months and carried a weighted average interest rate of 1.7% per annum. As at 30 April 2019, the pledged bank balances were held at call and bore floating interests.

(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 2020, the Group's cash and cash equivalents amounting to HK$12,060,000 (2019: HK$6,257,000) were denominated in RMB and deposited with banks in the PRC.

23 Share capital

	2020		2019	
	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 the beginning and the end of the year	**666,190,798**	**66,619**	666,190,798	66,619

24 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 2019	25,075	5,042	13,934	161	7,450	19,632	82,042	205,708	359,044
Changes in accounting policies *(Note 2.2)*	–	–	–	–	–	–	–	(6,351)	(6,351)
Currency translation differences	–	–	–	–	–	–	(19,356)	–	(19,356)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(20)	–	–	–	–	(20)
Profit for the year	–	–	–	–	–	–	–	12,349	12,349
At 30 April 2020	25,075	5,042	13,934	141	7,450	19,632	62,686	211,706	345,666

Notes to the Financial Statements

24 Reserves *(continued)*

	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 2018	25,075	5,042	13,934	224	7,450	19,632	102,179	215,229	388,765
Currency translation differences	–	–	–	–	–	–	(20,137)	–	(20,137)
Change in fair value of financial assets at fair value through other comprehensive income	–	–	–	(63)	–	–	–	–	(63)
Loss for the year	–	–	–	–	–	–	–	(9,521)	(9,521)
At 30 April 2019	25,075	5,042	13,934	161	7,450	19,632	82,042	205,708	359,044

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.

25 Borrowings

	2020 HK$'000	2019 HK$'000
Import and trust receipt loans	244,134	348,822
Other bank loans	43,000	37,900
Bank overdrafts	–	1,730
Total borrowings	287,134	388,452

As at 30 April 2020, HK$23,500,000 (2019: HK$10,000,000) 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:

	2020 HK$'000	2019 HK$'000
Within one year	263,634	378,452
Between one and two years	14,500	7,500
Between two and five years	9,000	2,500
	287,134	388,452

As at 30 April 2020 and 30 April 2019, the ranges of effective interest rates of loans of major currencies were as follows:

	2020				2019			
	HK$ %	US$ %	JPY %	EUR %	HK$ %	US$ %	JPY %	EUR %
Borrowings	3.88-5.13	3.97-4.86	2.63	2.63	3.75-5.88	5.71-5.93	2.63	2.63

The carrying amounts of borrowings approximate their fair values.

Notes to the Financial Statements

25 Borrowings *(continued)*

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

	2020	2019
	HK$'000	*HK$'000*
Hong Kong dollars	**167,746**	173,342
Japanese Yen	**26,687**	77,175
United States dollars	**76,350**	110,526
Euro	**11,175**	22,045
Others	**5,176**	5,364
	287,134	388,452

Details of the Group's bank facilities and pledges of assets are set out in Note 31.

26 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:

	2020	2019
	HK$'000	*HK$'000*
At 1 May	**12,978**	12,990
Effect of adoption of HKFRS 16 *(Note 2.2)*	**1,447**	–
Charged to consolidated income statement *(Note 11)*	**(6,264)**	(12)
At 30 April	**8,161**	12,978

Notes to the Financial Statements

26 Deferred income tax *(continued)*

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		Right-of-use assets		Provisions		Tax losses		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
At 1 May	**5,437**	6,548	**–**	–	**1,780**	2,923	**10,422**	7,756	**17,639**	17,227
Effect of adoption of HKFRS16 (*Note 2.2*)	**–**	–	**2,483**	–	**(1,036)**	–	**–**	–	**1,447**	–
At 1 May, as restated	**5,437**	6,548	**2,483**	–	**744**	2,923	**10,422**	7,756	**19,086**	17,227
Credited/(charged) to consolidated income statement	**820**	(1,111)	**(35)**	–	**(500)**	(1,143)	**(5,729)**	2,666	**(5,444)**	412
At 30 April	**6,257**	5,437	**2,448**	–	**244**	1,780	**4,693**	10,422	**13,642**	17,639

	Accelerated depreciation allowance	
	2020	2019
	HK$'000	*HK$'000*
Deferred tax liabilities		
At 1 May	**4,661**	4,237
Charged to consolidated income statement	**820**	424
At 30 April	**5,481**	4,661

Notes to the Financial Statements

26 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:

	2020	2019
	HK$'000	*HK$'000*
Deferred tax assets	**13,642**	17,639
Deferred tax liabilities	**(5,481)**	(4,661)
	8,161	12,978

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 2020, the Group has tax losses of approximately HK$42,983,000 (2019: HK$61,546,000) for which no deferred tax asset is recognised. 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$2,284,000 (2019: HK$1,799,000) have no expiry date, the remaining losses will expire at variable dates up to and including 2025.

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$270,000 have not been provided for (2019: HK$237,000) 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.

27 Accounts payable

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

	2020	2019
	HK$'000	*HK$'000*
0-30 days	**99,163**	73,918
31-60 days	**27,993**	45,903
61-90 days	**8,550**	6,600
91-120 days	**–**	2,694
Over 120 days	**308**	1,245
	136,014	130,360

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

	2020	2019
	HK$'000	*HK$'000*
Renminbi	**7,600**	11,223
Hong Kong dollars	**50,752**	43,181
United States dollars	**42,016**	34,013
Japanese Yen	**28,453**	35,498
Other currencies	**7,193**	6,445
	136,014	130,360

Notes to the Financial Statements

28 Accruals and other payables

	2020 HK$'000	2019 HK$'000
Contract liabilities	1,576	2,325
Salaries and other staff welfare payable	28,370	27,404
Rental and store utilities payable	552	5,049
Provision for reinstatement cost	15,591	10,361
Other taxes payable	201	88
Interest payable	1,337	2,836
Accrual for auditor's remuneration	2,714	2,734
Provision for onerous contracts	–	6,278
Other accrued expenses	9,928	14,908
	60,269	71,983
Less:		
Non-current portion of provision for reinstatement cost	(3,565)	(1,666)
	56,704	70,317

Financial liabilities at amortised cost of approximately HK$14,531,000 (2019: HK$25,527,000) was included in accruals and other payables as at 30 April 2020.

Movements on the provision for reinstatement cost are as follows:

	2020 HK$'000	2019 HK$'000
At 1 May	10,361	11,641
Provision for reinstatement cost	6,270	580
Utilisation of provision for reinstatement cost	(1,040)	(1,860)
At 30 April	15,591	10,361

Notes to the Financial Statements

29 Notes to the consolidated statement of cash flows

(a) Cash generated from operations

	2020	2019
	HK$'000	*HK$'000*
Profit/(loss) for the year	12,349	(9,521)
Adjustments for:		
– Income tax expense	6,479	176
– Interest income	(396)	(36)
– Interest expense	30,464	19,726
– Amortisation of land use rights	–	509
– Depreciation of right-of-use assets	185,014	–
– Depreciation of property, plant and equipment	29,145	30,414
– Net gain on disposal of property, plant and equipment	(2,200)	(259)
– Net reversal of impairment loss on financial assets	(533)	(975)
– Net gain on non-current assets held-for-sale	(4,822)	–
– Reversal of impairment of right-of-use assets	(2,211)	–
– Reversal of onerous contracts	–	(1,463)
– Fair value losses on investment properties	5,005	5,010
– Net provision for/(reversal of) impairment loss on property, plant and equipment	6,549	(1,223)
	264,843	42,358
Changes in working capital:		
– Decrease in inventories	73,012	27,984
– Decrease in accounts and bills receivable	1,273	4,303
– Decrease in prepayments, deposits and other receivables	3,541	8,223
– Increase/(decrease) in accounts payable	5,654	(2,486)
– Decrease in accruals and other payables	(6,165)	(522)
Cash generated from operations	342,158	79,860

Notes to the Financial Statements

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

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

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

	2020	2019
	HK$'000	*HK$'000*
Net book value *(Note 15)*	**4,649**	217
Net gain on disposal of property, plant and equipment *(Note 7)*	**2,200**	259
Proceeds from disposal of property, plant and equipment	**6,849**	476

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

	2020	2019
	HK$'000	*HK$'000*
Cash and cash equivalents	**62,259**	49,501
Bank overdrafts	**–**	(1,730)
	62,259	47,771

30 Commitments and contingent liabilities

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

At 30 April 2019, the Group had future aggregate minimum lease payments in respect of rented premises under non-cancellable operating leases as follows:

	2019 *HK$'000*
Not later than one year	181,274
Later than one year and not later than five years	155,795
	337,069

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.

From 1 May 2019, the Group has recognised right-of-use assets for these leases, except for short-term leases, see Note 2.2 for further information.

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

At 30 April 2020, the Group had future minimum lease payments receivable under non-cancellable operating leases as follows:

	2020 ***HK$'000***	2019 *HK$'000*
Not later than one year	**493**	1,261
Later than one year and not later than five years	**–**	514
	493	1,775

Notes to the Financial Statements

31 Bank facilities and pledge of assets

As at 30 April 2020, the Group had aggregate bank facilities of approximately HK$522,800,000 (2019: HK$517,700,000) for overdrafts, term loans, import and trust receipt loans etc. Unutilised facilities as at the same date amounted to approximately HK$235,666,000 (2019: HK$129,248,000), of which approximately HK$217,866,000 (2019: HK$113,178,000) is relating to import and trust receipt loans and approximately HK$17,800,000 (2019: HK$16,070,000) is relating to 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$260,653,000 (2019: HK$272,275,000) (Note 15).

(b) pledges of the Group's investment properties of approximately HK$12,390,000 (2019: HK$15,050,000) (Note 17).

(c) pledges of the Group's bank balances of approximately HK$31,353,000 (2019: HK$19,629,000) (Note 22).

(d) charges over HK$243,444,000 (2019: HK$308,070,000) of the Group's inventories held under import and trust receipts loans arrangements (Note 19).

(e) pledges of the Group's non-current asset held-for-sale of approximately HK$778,000 as at 30 April 2019.

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

32 Related party transactions

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

Except as otherwise stated, during the year, the Group had the following related party transactions, which were carried out in the normal course of the Group's business at mutually agreed prices:

		2020	2019
		HK$'000	*HK$'000*
(a)	Rental expense paid to a related company which is owned by certain directors of the Company	**663**	663
	Rental expense paid to a director of the Company	**294**	294

(b) Key management compensation is as below:

	2020	2019
	HK$'000	*HK$'000*
Wages and salaries	**5,777**	5,237
Pension costs – defined contribution plans	**288**	246
	6,065	5,483

Notes to the Financial Statements

33 Statement of financial position and reserve of the company

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	(a)	**234,156**	231,543
Current assets			
Amounts due from subsidiaries		**3,331**	1,000
Tax recoverable		**42**	–
Cash and cash equivalents		**139**	153
		3,512	1,153
Total assets		**237,668**	232,696
EQUITY			
Share capital		**66,619**	66,619
Reserves	(b)	**170,068**	165,090
Total equity		**236,687**	231,709
LIABILITIES			
Current liabilities			
Accruals and other payables		**981**	987
Total liabilities		**981**	987
Total equity and liabilities		**237,668**	232,696

Notes to the Financial Statements

33 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 2020:

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (i)
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	Dormant	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%
Coils Venture Co. Ltd	Hong Kong	Investment holding	Ordinary HK$10,000	100%

Notes to the Financial Statements

33 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 2020: *(continued)*

Name	Place of incorporation operation	Principal activities	Particulars of issued share capital/ registered capital	Interest held (i)
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 Area 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%
Coils Retail Limited	Hong Kong	Inactive in Hong Kong	Ordinary HK$10,000	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 2020.

As at 30 April 2020, the Company had given guarantees to banks and financial institutions of approximately HK$287,134,000 (2019: HK$388,452,000) 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 2020 (2019: Nil).

33 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 the late 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) is wholly foreign owned enterprise established in Mainland China to be operated for 45 years up to August 2047.

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.

Gaozhou Coils Electronic Co. Ltd. is wholly foreign owned enterprise established in Mainland China to be operated for an indefinite period.

Notes to the Financial Statements

33 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 2018	25,075	5,042	131,338	3,635	165,090
Profit for the year	–	–	–	–	–
At 1 May 2019	25,075	5,042	131,338	3,635	165,090
Profit for the year	–	–	–	4,978	4,978
At 30 April 2020	**25,075**	**5,042**	**131,338**	**8,613**	**170,068**

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.

34 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 2020:

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

Name	Fees	Salary	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Ms. Tang Fung Kwan *(Chief Executive)*	–	2,534	240	2,774
Mr. Lam Kwok Chung	–	960	24	984
Mr. Ho Man Lee	–	759	24	783
Independent non-executive directors:				
Mr. Chan Chiu Ying	540	–	–	540
Mr. Au Son Yiu	522	–	–	522
Mr. Goh Gen Cheung	462	–	–	462
Total	1,524	4,253	288	6,065

Notes to the Financial Statements

34 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 2019:

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

Name	Fees	Salary	Employer's contribution to a retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:				
Ms. Tang Fung Kwan *(Chief Executive)*	–	1,966	183	2,149
Mr. Ho Man Lee	–	752	24	776
Mr. Lam Kwok Chung *(appointed on 28 September 2018)*	–	568	14	582
Mr. Lam Wai Chun *(deceased on 18 August 2018)*	–	427	25	452
Independent non-executive directors:				
Mr. Chan Chiu Ying	540	–	–	540
Mr. Au Son Yiu	522	–	–	522
Mr. Goh Gen Cheung	462	–	–	462
Total	1,524	3,713	246	5,483

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.

34 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)*

(b) Directors' retirement benefits

Save as disclosed in Note 34(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 (2019: Nil).

(c) Directors' termination benefits

Save as disclosed in Note 34(a), no payment was made to directors as compensation for the early termination of the appointment during the year (2019: Nil).

(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 (2019: 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 (2019: Nil).

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

Save as disclosed in Note 32, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Schedule of Principal Investment Properties

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

	Address	Lot No.	Existing use
1.	Unit 1012A and 1012B on level 10, No. 8 Caihetang Road, Haidian District, Beijing, The PRC	IV-1-4-82(1)	Office Premises
2.	Shop No.33 on Ground Floor, Richland Garden, No. 138 Wu Chui Road, Tuen Mun, New Territories, Hong Kong	Tuen Mun Town Lot No. 333	Shop
3.	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

香 港 九 龍 觀 塘 巧 明 街 1 1 0 號 興 運 工 業 大 廈 2 樓
2nd Floor, Hing Win Factory Building, 110 How Ming Street, Kwun Tong, Kowloon, Hong Kong