

FUTURE PLANS AND PROSPECTS

Looking ahead, it is expected that the performance of the Group's manufacturing segment, which is the core business of the three major business segments of the Group, will keep growing. Although the economy is recovering, it is still moving in a slow pace. The market is dominated by uncertain factors, which have brought about some negative impacts on the electronic products market. Fortunately, more overseas manufacturers are setting up factories in Mainland China. The Group has maintained its position as a major supplier of electronic components in this depressing economic climate because the Group has a solid foundation and cautious investment strategies coupled with stringent cost and quality control.

In the coming year, the turnover of power supply devices is expected to show considerable growth. With the growing awareness of environmental protection and energy saving, all kinds of electronic products have put emphasis on switching mode power supplies. The Group has recently received orders from an American producer of police accessories for this kind of switching mode power supplies. The major components such as capacitors, inductors, line filters and transformers are produced by the Group, which have competitive advantages in terms of quality, delivery timeliness and prices. The Group will position this as a stepping stone for further development in this market segment.

As expected in the previous quarter, the Group's efforts in expanding its market share in Europe have borne fruit. It is estimated that the Group will achieve even higher market share in Europe. The Group has also signed an agency agreement with a sizable Australian accessories wholesaler to distribute the Group's transformers in Australia. The Australian company has already obtained the SSA safety approval certificates of the products for the Group. As a second step, the Group is planning to launch its coils products in the Australian market.

Regarding plans on establishing new production facilities, in view of the increase in orders, the Group has decided to set up a new factory in Nanjing to increase productivity. The new factory is expected to start operating by the end of 2003. Not only can this project bring in reasonable and stable return to the Group, the Group will also be benefited in terms of management and technical skills and will be better known in the industry through the increase in orders.

As for internal plans, the Group's Zhongshan factory will start its ISO14000 quality certification process this year. The certification can confirm that the Group's product quality and manufacture craftsmanship have reached international level as well as the Group's efforts and commitments in caring for the environment. The Group's other factories will follow the same goal so as to enhance the Group's competitiveness. It is also the Group's plan to merge its Singapore production lines for chip inductors into its head factory in Zhongshan in the next financial year so as to better adjust its production in accordance with customers' demand.

Besides the manufacturing segment, after careful analysis of the prospects of its trading segment, the Group has decided to clear its current inventories within a short period of time, and has planned to close all non-core trading businesses before the end of the second quarter in the next financial year. The Group's information technology business will operate in accordance with each subsidiary's established plans. No special development project is being planned for the moment.

The Group anticipates the market situation in the next quarter continues to be difficult, so the Group will carry on with its effective operation and promotion strategies. With its solid foundation and goal to maintain the break-even level, the Group expects it will sail safely in the next quarter to bring reasonable returns to its shareholders.

The above was written by:

Ho Kwok Keung

Chiu Chan, Charles

Lam Wing Kin, Sunny

Huang Kong

Executive Directors

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st January 2003.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st January 2003, the Directors of the Company had the following beneficial interests in the share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) and in the warrants of the Company as recorded in the register required to be kept by the Company pursuant to Section 29 of the SDI Ordinance or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies:

(a) The Company

	Number of shares of HK\$0.10 each			Number of warrants
	Family interests	Personal interests	Other interests	Personal interests
Mr. Lam Wai Chun (<i>Note 1</i>)	404,008,996	3,832,000	—	—
Mr. Saito Misao	—	750,493	—	—
Ms. Tang Fung Kwan	—	3,502,611	—	—
Mr. Law Hoo Shan	—	546,751	—	—
Mr. Ho Kwok Keung (<i>Note 2</i>)	248,266	—	200,266	—
Mr. Au Son Yiu	—	1,000,000	—	1,000,000

Notes:

- As at 31st January 2003, Ka Yan China Development (Holding) Company Limited held 404,008,996 shares in the Company. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately beneficially owned by Ka Yan China Family Trust, the family trust of Mr. Lam Wai Chun. The beneficiaries under this family trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years, and accordingly Mr. Lam Wai Chun was deemed under the SDI Ordinance to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited.
- The 248,266 shares in the family interests of Mr. Ho Kwok Keung ("Mr. Ho") consisted of 48,000 shares which were beneficially owned by the spouse of Mr. Ho and the 200,266 shares in the other interests which were jointly beneficially owned by Mr. Ho and his spouse.

(b) Associated corporation

Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each (Note 5)		
	Personal interests	Family interests	Total
Mr. Lam Wai Chun (Notes 3 and 4)	7,500,000	6,500,000	14,000,000

Notes:

- Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each in Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited.
- In respect of the 6,000,000 non-voting deferred shares of HK\$1.00 each held by Ka Yan China Development (Holding) Company Limited and the remaining 500,000 non-voting deferred shares of HK\$1.00 each held by Ms. Law Ching Yee in Coils Electronic Co., Limited, representing approximately 42.86% and approximately 3.57% respectively of the 14,000,000 non-voting deferred shares of HK\$1.00 each in the share capital of Coils Electronic Co., Limited, Mr. Lam Wai Chun was deemed to be interested in all those shares under the SDI Ordinance by virtue of, in the case of Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)1 above and, in the case of Ms. Law Ching Yee, the fact that Ms. Law Ching Yee is the spouse of Mr. Lam Wai Chun.
- 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 ordinary shares.

Save as disclosed above, as at 31st January 2003, none of the Directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) had any interests in the securities of the Company or its associated corporations (within the meaning of the SDI Ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein.