

The directors submit their report together with the audited financial statements for the year ended 30th April 2003.

## Principal activities and geographical analysis of operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) the design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components, which are generally used in the manufacture of various kinds of electronic and electrical products; and (ii) the provision of information technology services.

An analysis of the Group's performance for the year by business and geographical segment is set out in note 4 to the financial statements.

## Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 44. The directors do not recommend the payment of a dividend in respect of the year ended 30th April 2003.

## Reserves

Movements in reserves of the Group and of the Company during the year are set out in note 28 to the financial statements.

## Donations

Charitable and other donations made by the Group during the year amounted to HK\$375,000 (2002: HK\$156,000).

## Fixed assets

Details of the movements in fixed assets of the Group during the year are set out in note 13 to the financial statements.

## Share capital and warrants

Details of the movements in share capital and warrants of the Company are set out in notes 27 and 29, respectively, to the financial statements.

## Distributable reserves

As at 30th April 2003, the Company's contributed surplus of approximately HK\$131,338,000 (2002: HK\$131,338,000) (subject to provisions under the Companies Act 1981 of Bermuda (as amended)) and retained profits of approximately HK\$2,995,000 (2002: HK\$3,621,000) were available for distribution to the Company's shareholders.

## Pre-emptive rights

There is no provision for pre-emptive rights under the Company's Bye-laws and the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

## 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 year ended 30th April 2003.



## Share options

At the annual general meeting of the Company held on 26th September 2002, the shareholders of the Company approved the adoption of a new share option scheme (the “New Scheme”) and the termination of the share option scheme adopted by the Company on 26th October 1999 (the “Old Scheme”).

### The Old Scheme

The Old Scheme was designed to provide incentives to the participants although no such purpose was mentioned in the terms of the Old Scheme. The major terms of the Old Scheme are summarised as follows:

1. The participants of the Old Scheme include any employees or executives (including any executive directors) of the Company or any of its subsidiaries (but excluding the independent non-executive directors of the Company).
2. The maximum number of shares of the Company in respect of which options might be granted under the Old Scheme and/or under any other share option schemes of the Company must not exceed 10% of the issued share capital of the Company from time to time.
3. The maximum number of shares of the Company in respect of which options might be granted to a participant, when aggregated with shares issued and issuable under any option granted to the same participant under the Old Scheme, must not exceed 25% of the maximum shares under the Old Scheme from time to time.
4. Any option may be exercised in whole or in part within a period which is determined and notified by the board of directors of the Company (the “Board”) when making an offer of option and in any event shall not be later than 10 years from the date of adoption of the Old Scheme.
5. Unless otherwise determined by the Board in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.
6. The acceptance of an option, if accepted, must be made not more than 40 days after the date of offer of the option with a non-refundable payment of HK\$1.00 from the grantee to the Company. The full amount of the subscription price for shares must be paid upon exercise of an option.
7. The subscription price per share in respect of an option shall not be less than the higher of:
  - (i) a price not less than 80% of the average closing price of the Company’s shares quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for the 5 trading days immediately preceding the date of offer of the option; and
  - (ii) the nominal value of the Company’s share.



## The Old Scheme (Continued)

8. As the Old Scheme was terminated on 26th September 2002, no further options can be offered under the Old Scheme. However, in all other respects the provisions of the Old Scheme shall remain in full force and all outstanding options granted under the Old Scheme prior to such termination shall continue to be valid and exercisable pursuant to the Old Scheme until their respective expiry dates.

Movements in share options granted under the Old Scheme during the year were as follows:

Name	Date of grant	Exercisable period	Subscription price per share	Number of shares under options			
				Beginning of year	Exercised during the year	Lapsed during the year	End of year
<i>(i) Directors</i>							
Mr. Lam Wai Chun	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
Mr. Saito Misao (resigned on 30th June 2003)	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
Mr. Law Hoo Shan	1st November 2000	1st November 2002 to 28th February 2005**	HK\$0.75	1,680,000	-	-	1,680,000
Mr. Ho Kwok Keung (resigned on 14th August 2003)	1st November 2000	1st November 2002 to 28th February 2005**	HK\$0.75	780,000	-	-	780,000
<i>(ii) Employees</i>							
	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
	1st November 2000	1st November 2002 to 28th February 2005**	HK\$0.75	32,280,000	-	(1,080,000)	31,200,000
				48,848,776	-	(1,080,000)	47,768,776

\* The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 22nd September 2002 to 21st September 2003, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2002; (b) up to three-eighths of the options are exercisable from 22nd September 2003 to 21st June 2004, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2003; and (c) up to three-eighths of the options are exercisable from 22nd June 2004 to 21st January 2005, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st June 2004. Any options not exercised during each of the exercisable periods will lapse automatically after they cease to be exercisable.



### The Old Scheme (Continued)

- \*\* The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 1st November 2002 to 31st October 2003, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2002; (b) up to three-eighths of the options are exercisable from 1st November 2003 to 31st July 2004, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2003; and (c) up to three-eighths of the options are exercisable from 1st August 2004 to 28th February 2005, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st July 2004. Any options not exercised during each of the exercisable periods will lapse automatically after they cease to be exercisable.

### The New Scheme

The major terms of the New Scheme are summarised as follows:

1. The purpose of the New Scheme is to provide participants with the opportunity to acquire proprietary interest in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.
2. The participants include:
  - (i) any full-time employees of the Company or its subsidiary, including executive directors; and
  - (ii) any non-executive directors of the Company or its subsidiary, including independent non-executive directors of the Company.
3. The total number of shares available for issue upon exercise of all options to be granted under the New Scheme and other share option schemes of the Company must not in aggregate exceed 10% of the issued share capital of the Company as at the date of approval of the New Scheme and such limit may be refreshed by the shareholders of the Company in general meeting. The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time. The total number of shares available for issue under the New Scheme as at 14th August 2003, the date of this annual report, was 69,302,881, representing approximately 10% of the issued share capital of the Company.
4. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each participant (including exercised, cancelled and outstanding options) in any twelve-month period up to the date of grant must not exceed 1% of the Company's shares in issue. Any further grant of options in excess of this limit is subject to separate shareholders' approval in general meeting of the Company in advance.

Any grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the twelve-month period up to and including the date of such grant, in aggregate exceed 0.1% of the shares of the Company in issue and with an aggregate value in excess of HK\$5 million (based on the closing price of the Company's share at the date of each grant), is subject to the prior approval by the shareholders of the Company in general meeting.



## The New Scheme (Continued)

5. The period within which an option may be exercised will be determined and notified by the Board at the time of grant, but in any event shall not exceed 10 years from the date of grant.
6. Unless otherwise determined by the Board in its absolute discretion, there is no general requirement in respect of the minimum period for which an option must be held before it can be exercised.
7. The acceptance of an option, if accepted, must be made within 28 days from the date of offer of the option with a non-refundable payment of HK\$1.00 from the grantee to the Company. The full amount of the subscription price for shares must be paid upon exercise of an option.
8. The subscription price per share in respect of an option shall not be less than the highest of:
  - (a) the closing price of the Company's share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;
  - (b) the average closing price of the Company's share as stated in the daily quotations sheets issued by the Stock Exchange for the 5 business days immediately preceding the date of grant; and
  - (c) the nominal value of the Company's share on the date of grant.
9. The New Scheme is valid and effective for a period of 10 years commencing on its date of adoption until 25th September 2012.

During the year ended 30th April 2003, no option has been granted under the New Scheme.

## Directors

The directors who held office during the year and up to the date of this report were:

### Executive directors

Mr. Lam Wai Chun	<i>(Chairman)</i>
Ms. Tang Fung Kwan	<i>(Deputy Chairman and Managing Director)</i>
Mr. Huang Kong	<i>(Deputy Managing Director; appointed on 19th December 2002)</i>
Mr. Lam Wing Kin, Sunny	<i>(retired on 26th September 2002 and re-appointed on 18th February 2003)</i>
Mr. Law Hoo Shan	<i>(appointed on 19th December 2002)</i>
Mr. Chiu Chan, Charles	<i>(appointed on 19th December 2002)</i>
Mr. Ho Kwok Keung	<i>(appointed on 20th December 2002 and resigned on 14th August 2003)</i>
Mr. Saito Misao	<i>(resigned on 30th June 2003)</i>

### Independent non-executive directors

Mr. Au Son Yiu  
 Mr. Lee Wing Kwan, Denis  
 Mr. Tang Tin Sek\*

\* Re-designated from a non-executive director to an independent non-executive director with effect from 3rd June 2003



## Directors (Continued)

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Au Son Yiu will retire by rotation at the forthcoming annual general meeting of the Company. Mr. Au Son Yiu will, being eligible, offer himself for re-election.

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Lam Wing Kin, Sunny, Mr. Huang Kong, Mr. Chiu Chan, Charles and Mr. Law Hoo Shan will hold office until the forthcoming annual general meeting of the Company and will, being eligible, offer themselves for re-election.

## Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 23 to 28 of this annual report.

## Directors' service contracts

Mr. Lam Wai Chun entered into a service agreement with the Company on 27th September 1999 for an initial period of three years commencing on 1st October 1999 and thereafter until terminated by either party giving to the other not less than six months' notice in writing terminating on or after the expiry of the initial term of three years.

Each of Ms. Tang Fung Kwan, Mr. Lam Wing Kin, Sunny, Mr. Law Hoo Shan, Mr. Chiu Chan, Charles and Mr. Huang Kong entered into a service agreement with the Company on 14th August 2003 for a term of two years, each commencing on 1st May 2003 until terminated by either party giving to the other a prior notice of three months in writing (or such other period as the parties may agree in writing from time to time, but in any event not more than three months) before its expiration.

Save as disclosed above, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## Directors' interests in contracts of significance

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.



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## Interests of directors and chief executives in securities

As at 30th April 2003, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any 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 Companies were as follows:

### (a) Interests and short positions in the shares of the Company

Name of director	Number of shares of HK\$0.10 each					Total interests	Percentage of issued share capital
	Family interests	Personal interests (Note 2)	Corporate interests	Trusts and similar interests	Other interests		
Mr. Lam Wai Chun	404,008,996 (Note 3)	3,832,000	404,008,996 (Note 3)	404,008,996 (Note 3)	-	407,840,996 (Note 3)	58.85%
Mr. Saito Misao (resigned on 30th June 2003)	-	750,493	-	-	-	750,493	0.11%
Ms. Tang Fung Kwan	-	3,502,611	-	-	-	3,502,611	0.51%
Mr. Law Hoo Shan	-	546,751	-	-	-	546,751	0.08%
Mr. Ho Kwok Keung (resigned on 14th August 2003)	248,266 (Note 4)	-	-	-	200,266 (Note 4)	448,532 (Note 4)	0.06%
Mr. Au Son Yiu	-	2,258,000	-	-	-	2,258,000	0.33%
Mr. Lam Wing Kin, Sunny	-	902,000	-	-	-	902,000	0.13%

#### Notes:

- All the above interests in the shares of the Company were long positions. These interests need to be aggregated with those set out in sub-paragraph (b) below (if applicable) to give the total interests of the relevant directors of the Company. None of the directors or chief executives of the Company held any short position in the shares of the Company.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 404,008,996 shares were held by and registered in the name of 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, namely Ka Yan China Family Trust (the “Trust”). The beneficiaries under the Trust were Mr. Lam Wai Chun’s spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of his being a founder of the Trust, Mr. Lam Wai Chun was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 404,008,996 shares in the family interests, corporate interests and trusts and similar interests related to the same block of shares in the Company and duplicated each other. Accordingly, the figure of 407,840,996 shares in the total interests column for Mr. Lam Wai Chun was arrived at after eliminating the duplication.
- The 248,266 shares which constituted 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 which were jointly beneficially owned by Mr. Ho and his spouse.



## Interests of directors and chief executives in securities (Continued)

### (b) Interests and short positions in underlying shares pursuant to equity derivatives of the Company

As at 30th April 2003, the following directors of the Company had beneficial interests in the outstanding share options granted under the Old Scheme entitling them to subscribe for shares of the Company, the interests of which were long positions:

Name of director	Date of grant	Exercisable period	Subscription price per share	Number of shares under options			
				Beginning of year	Exercised during the year	Lapsed during the year	End of year
Mr. Lam Wai Chun	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
Ms. Tang Fung Kwan	21st September 2000	22nd September 2002 to 21st January 2005*	HK\$1.02	3,527,194	-	-	3,527,194
Mr. Saito Misao (resigned on 30th June 2003)	21st September 2000	22nd September 2002 to 21st January 2005 *	HK\$1.02	3,527,194	-	-	3,527,194
Mr. Law Hoo Shan	1st November 2000	1st November 2002 to 28th February 2005**	HK\$0.75	1,680,000	-	-	1,680,000
Mr. Ho Kwok Keung (resigned on 14th August 2003)	1st November 2000	1st November 2002 to 28th February 2005**	HK\$0.75	780,000	-	-	780,000

\* The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 22nd September 2002 to 21st September 2003, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2002; (b) up to three-eighths of the options are exercisable from 22nd September 2003 to 21st June 2004, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st September 2003; and (c) up to three-eighths of the options are exercisable from 22nd June 2004 to 21st January 2005, both dates inclusive, with vesting period commencing from 21st September 2000 to 21st June 2004. Any options not exercised during each of the exercisable periods will lapse automatically after they cease to be exercisable.

\*\* The options are exercisable subject to: (a) up to one quarter of the options are exercisable from 1st November 2002 to 31st October 2003, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2002; (b) up to three-eighths of the options are exercisable from 1st November 2003 to 31st July 2004, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st October 2003; and (c) up to three-eighths of the options are exercisable from 1st August 2004 to 28th February 2005, both dates inclusive, with vesting period commencing from 1st November 2000 to 31st July 2004. Any options not exercised during each of the exercisable periods will lapse automatically after they cease to be exercisable.

None of the directors or chief executives of the Company held any short position in underlying shares of the Company.



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Interests of directors and chief executives in securities (Continued)

(c) Interests and short positions in the shares and underlying shares pursuant to equity derivatives of associated corporations of the Company

Coils Electronic Co., Limited

Name of director	Number of non-voting deferred shares of HK\$1.00 each				Percentage of issued non-voting deferred shares
	Personal interests	Corporate interests	Family interests	Total interests	
Mr. Lam Wai Chun (Notes 5 and 6)	7,500,000	6,000,000	500,000	14,000,000	100%

Notes:

- Mr. Lam Wai Chun held 7,500,000 non-voting deferred shares of HK\$1.00 each, representing approximately 53.57% of the 14,000,000 non-voting deferred shares of HK\$1.00 each issued by Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held 100% of the issued ordinary share capital.
- 6,000,000 non-voting deferred shares of HK\$1.00 each were held by Ka Yan China Development (Holding) Company Limited and 500,000 non-voting deferred shares of HK\$1.00 each were held by Ms. Law Ching Yee respectively 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 these shares under the SFO by virtue of, in the case of shares held by Ka Yan China Development (Holding) Company Limited, the reasons set out in Note (a)3 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.
- All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited were long positions.
- Mr. Lam Wai Chun held shares in certain subsidiaries as trustee for their holding companies.

None of the directors or chief executives of the Company held any short position in the shares or underlying shares in the Company's associated corporations.

(d) Interests in debentures of the Company

None

(e) Interests in debentures of associated corporation(s) of the Company

None



## Interests of directors and chief executives in securities (Continued)

Save as disclosed above, as at 30th April 2003, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered in 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

## Directors' rights to acquire shares or debentures

Save as disclosed above, at no time during the year ended 30th April 2003 was the Company or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangement to enable the directors of the Company or any of their associates (as defined in the Listing Rules) 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 30th April 2003, according to the register kept by the Company under section 336 of the SFO, other than the directors or chief executives of the Company, the following persons 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:

### (a) Interests and short positions in the shares of the Company

*Substantial shareholders (as defined in the Listing Rules)*

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Ms. Law Ching Yee	407,840,996 (Note 2)	-	-	-	58.85% (Note 2)
Ka Yan China Development (Holding) Company Limited	-	-	-	404,008,996 (Notes 2 & 3)	58.30%
Ka Yan China Investments Limited	-	404,008,996 (Notes 2 & 3)	-	-	58.30%
HSBC International Trustee Limited	-	-	404,008,996 (Notes 3 & 4)	-	58.30%



Interests of shareholders discloseable under the SFO (Continued)

(a) Interests and short positions in the shares of the Company (Continued)

Other persons as recorded in the register kept by the Company pursuant to section 336 of the SFO

Name	Number of shares held				Percentage of issued share capital
	Family interests	Corporate interests	Trusts and similar interests	Beneficial owner	
Nittoku Engineering Co., Ltd.	-	-	-	51,093,983	7.37%
Toko, Inc.	-	-	-	36,785,402	5.31%
Friedmann Pacific Greater China Investments Limited	-	-	-	36,470,000	5.26%

Notes:

- All the above interests in the shares of the Company were long positions.
- The 404,008,996 shares were held by and registered in the name of 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. The beneficiaries under the Trust were Mr. Lam Wai Chun's spouse, Ms. Law Ching Yee, and his children who were under the age of 18 years. By virtue of Mr. Lam Wai Chun being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares and equity derivatives held by her spouse for the purpose of the SFO.

These interests need to be aggregated with those set out in sub-paragraph (b) below to give the total interests of Ms. Law Ching Yee.

- The interests of Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, the ultimate holding company of the Company, were in respect of the same 404,008,996 shares and duplicated each other.
- The 404,008,996 shares in which HSBC International Trustee Limited was interested were the shares referred to in Notes 2 and 3 above.



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## Interests of shareholders discloseable under the SFO (Continued)

### (b) Interests and short positions in underlying shares pursuant to equity derivatives of the Company

*Substantial shareholders (as defined in the Listing Rules)*

Name	Number of shares pursuant to option granted	Family interests
Ms. Law Ching Yee		3,527,194 (Note 5)

*Note:*

5. By virtue of Ms. Law Ching Yee's spouse, Mr. Lam Wai Chun, being a founder of the Trust, Ms. Law Ching Yee was deemed to be interested in 3,527,194 shares in respect of the outstanding share option granted to Mr. Lam Wai Chun under the Old Scheme, the interests of which were long positions. The details of the outstanding share option are set out in the section headed "Interests of directors and chief executives in securities" and under subparagraph (b) headed "Interests and short positions in underlying shares pursuant to equity derivatives of the Company".

Save as disclosed above, the Company had not been notified of any other person (other than a director or 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 was required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 30th April 2003.

### Management contracts

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

### Major customers and suppliers

During the year ended 30th April 2003, the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases while the five largest customers of the Group accounted for less than 30% of the Group's total turnover.

### Practice Note 19 to the Listing Rules

In accordance with the disclosure requirements of Practice Note 19 to the Listing Rules, the Company makes the following disclosures in relation to the details of the 2002 Agreement (as defined below) and 2003 Agreement (as defined below), which includes conditions relating to specific performance of the controlling shareholder of the Company:

- (a) On 31st January 2002, the Company entered into a 3-year transferable term loan and revolving credit facility agreement (the "2002 Agreement") for an aggregate amount of HK\$100,000,000 (the "2002 Facility") with Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, as original guarantor and a group of banks.
- (b) On 30th April 2003, the Company entered into a 3-year transferable term loan facility agreement (the "2003 Agreement") for an aggregate amount of HK\$165,000,000 (the "2003 Facility") with Coils Electronic Co., Limited, a wholly-owned subsidiary of the Company, as original guarantor and a group of banks.



### Practice Note 19 to the Listing Rules (Continued)

Under the provisions of the 2002 Agreement and the 2003 Agreement, it would be an event of default, inter alia, if any of the following events occurs:

1. Mr. Lam Wai Chun (“Mr. Lam”), the Chairman of the Company, and Ka Yan China Development (Holding) Company Limited (“Ka Yan”), the controlling shareholder of the Company, cease to be the beneficial owners, together, of more issued share capital of the Company than any other person (including persons acting in concert); or
2. Mr. Lam and Ka Yan cease to be the beneficial owners, together, of at least 35% of the issued share capital of the Company; or
3. Mr. Lam ceases to be the Chairman of the Company or ceases to be involved actively in the management and business of the Group; or
4. Mr. Lam or Ka Yan sells, transfers, assigns, encumbers or disposes of all or part of their respective beneficial ownership of shares in the Company; or
5. Ka Yan ceases to be wholly and beneficially owned by Ka Yan China Family Trust (the “Trust”), the family trust of Mr. Lam; or
6. Mr. Lam’s immediate family members cease to be the only beneficiaries under the Trust.

For 2002 Agreement, if any such event of default occurs, upon a notice served to the Company, (i) the 2002 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the 2002 Facility shall immediately become due and payable; and/or (iii) the 2002 Facility shall immediately become payable on demand.

For 2003 Agreement, if any such event of default occurs, upon a notice served to the Company, (i) the 2003 Facility shall immediately be cancelled; (ii) all amounts accrued and outstanding or owing under the 2003 Facility shall immediately become due and payable; and/or (iii) the 2003 Facility shall immediately become payable on demand.

In addition, the Group is required to comply with certain restrictive financial covenants imposed by the banks. The financial covenants include, among other things, the maintenance of the following specific financial ratios: (1) the net gearing ratio, defined by the relevant bank as total borrowings plus bills payable and contingent liabilities less total cash and bank deposits and investment over net tangible assets less proposed final dividends, shall not exceed 0.85:1; and (2) the amount of capital expenditures, as defined by the relevant banks, for the year ended 30th April 2002 shall not exceed HK\$70,000,000. The Group did not fulfill these two financial covenants as at 30th April 2002, but obtained waivers from the relevant banks in respect of such non-compliance in August 2002.

All the outstanding indebtedness under the 2002 Agreement has been prepaid in May 2003.



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## Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year ended 30th April 2003, except that the non-executive director (Mr. Tang Tin Sek, who has been re-designated as an independent non-executive director with effect from 3rd June 2003) and independent non-executive directors have not been appointed for a specific term, but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Bye-laws.

## Audit committee

The Company established an Audit Committee on 30th September 1999 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. The Audit Committee presently comprises the three independent non-executive directors.

## Summary financial information

A summary of the Group's financial information for the last five financial years is set out on page 5 of this annual report.

## Auditors

The financial statements have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.



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On behalf of the Board  
**LAM WAI CHUN**  
*Chairman*

Hong Kong, 14th August 2003