

INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31st January 2004, according to the register required to be kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executives 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:

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

Substantial shareholders (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("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	409,340,996 (Note 2)	-	-	-	59.07%
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%

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%

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, the trustee of the Trust, was interested were the shares referred to in Notes 2 and 3 above.

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

Substantial shareholder (as defined in the Listing Rules)

Name	Number of shares pursuant to option granted Family interests
Ms. Law Ching Yee	2,645,396 (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 2,645,396 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 sub-paragraph (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 31st January 2004.

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 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.

Under the provisions of the 2002 Agreement and 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.

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

INTERNAL AUDIT DEPARTMENT

To enhance the efficiency and effectiveness of risk management, internal control and governance processes as well as to protect the interests of the investors, creditors and shareholders, the Group newly established an Internal Audit Department during the current quarter.

The purpose of establishing the Internal Audit Department is to safeguard the Group’s assets from unauthorized access and disposition; to ensure the Group’s accounting records truly reflect the Group’s financial performance; and also to ascertain that comprehensive systems and policies are in place in the Group and that systems and policies are strictly implemented and complied. Besides, the Internal Audit Department is required to periodically assess the risk exposure of each of the Group’s operating unit so as to enable the management to promptly develop the corresponding pre-caution measures.

To ensure the Internal Audit Department maintain a neutral and independent position, the Internal Audit Department reports directly to the Chairman of the Company and the Audit Committee while the reporting frequency is to be determined in accordance with the Internal Audit Plan approved by the Audit Committee.

The Annual Internal Audit Plan was formulated in accordance with an appropriate risk based methodology and has been submitted to the Audit Committee for review and approval. The current Annual Internal Audit Plan mainly focuses on scrutinizing and reviewing the Group's internal operation and financial control systems, including inventory/production, fixed assets, sales and payroll. The Plan is proposed to be fully implemented in April 2004 and is expected to be completed in December 2004. Findings and recommendations will be reported to the Audit Committee and the Chairman of the Company and the identified issues and their corresponding improvement process will be properly followed up and monitored respectively.

During the current quarter, the Internal Audit Department has already submitted an independent review and recommendation reports in connection with both operating and financial control of Xiamen Coils Electronic Co., Ltd, a wholly-owned subsidiary of the Group, as well as the current quarter's consolidated financial statements. In the coming time, the Internal Audit Department will strictly implement the Annual Internal Audit Plan approved by the Audit Committee and also gradually adopt international audit standards so as to assist the Group to achieve its long-term objective of meeting international corporate governance standards.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed this third quarterly report for the nine months ended 31st January 2004.

CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the nine months ended 31st January 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, 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.

By Order of the Board
Lam Wai Chun
Chairman

Hong Kong, 25th March 2004