

FUTURE PLANS AND PROSPECTS

Despite the existing slack global economic environment, China's accession to the WTO is expected to inject new impetus to the markets by creating a pool of business opportunities for both Chinese and foreign enterprises. At the same time, the economy and society are rapidly transforming into a knowledge-based one. Accompanying with this trend are the advancement in information technology networks and signs of growth potential for quality electronic products. With this in mind, the Group will definitely keep up its initiatives to sharpen the competitive edge, striving for breakthroughs amidst the various challenges ahead.

Creation of New Economic Outlook by China's Accession to the WTO

China's accession to the WTO was already approved in November 2001. As a member of the WTO, restrictions previously imposed on foreign trade and economic cooperation are going to be loosened in stages. Meanwhile, to achieve mutual benefits and advancement among member states of the WTO, China's legal framework on economic affairs is also subject to international trade negotiations and conventions. There are general expectations among the markets that these changes will attract foreign capital inflows into China and fuel further economic growth. On the other hand, China will have to face more fierce competition on an international dimension. It is therefore imperative for China to introduce multi-faceted reforms, particularly in respect of human resources, knowledge and technology. With regard to technological development, electronic products will play an indispensable role in sustaining those advances. The demand for quality electronic products in China is expected to mushroom in response to the need for enhancing international competitive edges and speeding up the development of society and the economy. The accession to the WTO will bring more employment opportunities in China, which will uplift the population's consumption power. Consumer demand for hi-tech information technology products will therefore be boosted in this information technology age. In view of these positive changes brought about by China's accession to the WTO, the Group believes that the demand for electronic products both inside and outside China will be accelerated. This will not only create a new market outlook for the electronics industry but also bring the Group flourishing opportunities.

Strengthening Research and Development, Capturing New Opportunities

Customers' concerns have always been the Group's top priority. With our increasing effort on research and development, market expansion and quality assurance, our products have won the trust and support of our customers.

For the long-term interests of the Group, we will sustain our efforts to strengthen the research and development capability and explore new markets. The Group believes that the keys to successful market exploration include the following: (1) care about the different needs of customers, providing them with tailor-made electronic components: the Group will continue to upgrade the research and development team to ensure that we will be able to formulate solutions tailored to the needs of different customers; (2) be sensitive to technological trends and stay ahead of the market: the Group's research and development team will keep focusing on the world's latest technological advancements to further broaden the product portfolio and work towards breakthroughs in the manganese-zinc series ferrite core products and others; (3) explore and grasp every business opportunity: apart from the markets in Hong Kong, Mainland China and Japan, the Group is actively developing the European market as well, where the Group has already won an agreement with one of the world's leading mobile phone manufacturers based in Europe to supply it with high-power major

electronic components for its chargers on a long-term basis. This cooperation plan is expected to bring reasonable returns to the Group under the current unfavourable economic environment.

On the whole, the Group expects the market environment will remain depressed at least for the next half year, a time of traditional slack season for the electronics industry, which will be expected to have an impact on the Group's performance. Nevertheless, with shareholders' and customers' interests as our major focus, the Group will pay extra attention to cost control and staff quality, broadening the product portfolio and exploring new markets. In brief, we are making every effort to sharpen the Group's competitive edge and further consolidate its position in the market.

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 six months ended 31st October, 2001.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st October, 2001, 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	Personal interests
Mr. Lam Wai Chun (Note 1)	404,008,996	2,400,000	—
Mr. Saito Misao	—	750,493	—
Ms. Tang Fung Kwan	—	3,502,611	—
Ms. Hu Yan Huan	—	1,133,233	—
Mr. Lam Wing Kin, Sunny	—	50,000	480,000
Mr. Au Son Yiu	—	—	1,000,000

Notes:

- As at 31st October, 2001, 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.

(b) *Associated corporation*
Coils Electronic Co., Limited

	Number of non-voting deferred shares of HK\$1.00 each (Note 4)		Total
	Personal interests	Family interests	
Mr. Lam Wai Chun (Notes 2 and 3)	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, and are not entitled to any distributions upon winding up unless a sum of HK\$100,000,000,000 has been distributed to the holders of ordinary shares.

Save as disclosed above, as at 31st October, 2001, 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.