

## FUTURE PLANS

### **FUTURE PLANS AND PROSPECTS**

The Group will continue to adopt prudent but progressive development strategy in expanding its business. It will actively pursue its continuous efforts to the research and development of new practical methods and apparatus to improve the safety, cost efficiency, quality and speed of production of appliances for the benefit of its shareholders, customers and the industry.

#### **Expansion of current production facilities and increase of production capacity**

The Group's production facilities have a monthly production capacity of about 500,000 units of products and are currently operating about 80% of its full capacity. The Directors believe that future expansion of the Group would be limited by such limitations. The Group intends to expand the production capacity of its production facilities by 50% to about 750,000 units of products through the acquisition of additional equipment and machinery. With the expanded production capacity, the Directors believe that the Group will be in a better position to increase its market share in the designated markets.

#### **Product research and development**

The Group is committed to the development of new products, such as air-ventilators, and the continuous enhancement of the quality of its existing products to maintain its competitiveness and to cater for the changing market trends. The product development department of the Group works closely with the sales and marketing department to obtain up-to-date information on the market trends of, and customers' requirements on, household electrical products in order to respond promptly to the changing consumer requirements and explore new market opportunities. Apart from product development, the Group also emphasises on the importance of improving production process and methods to achieve lower production costs and higher efficiency. The Directors believe that the application of proactive strategies on the Group's products and the relevant production processes and methods will enhance the Group's profitability.

##### *Development of oil-filled radiators*

Oil-filled radiator is one of the products manufactured by the Group which the Group has spent much research and development on. In order to compete through price, the Group has dedicated its research on product design and manufacturing process with the principle intention to (i) save metal usage; (ii) reduce oil cost by replacing the original oil with recycled oil and (iii) save labour cost in the long run by using automatic production line. The Group is expected to price its oil-filled radiators competitively so as to compete with similar products in the market and to gain a larger market share.

The Group has commenced trial production of the oil-filled radiators at its existing production facilities in July 2002. The Group expects the oil-filled radiators to become one of its major products in the coming years.

##### *Development of new air-ventilators*

Top Global as licensee entered into an exclusive licence deed with Mr. Yeung as licensor on 18th February, 2002 whereby Mr. Yeung agreed, inter alia, to license to the Group the use of an invention relating to an air-ventilating device having a thermal exchanger and an air filter at a license fee of US\$1.00 and the reproduction of the design entitled "ventilator" registered in Hong Kong in the name of Mr. Yeung and with registration no. 0111515.7 at a licence fee of US\$1.00.

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As the density of city occupants/inhabitants increases in buildings, the problem of air pollution intensifies and causes respiratory problems such as asthma, etc. These air-ventilators are targeted at countries that demand improved quality of air, such as the U.S., Canada, France, Germany and other countries in Europe and Asia counties etc. The three layers patented design of the Group's air-ventilators consists of Pre-filter, Active Carbon filter and HEPA filter (High Efficiency Particulate Arresting). According to the specification/test result of these new models, the filters can remove 99.7% of dust and toxic air, which will then be delivered out of the room, and have air exchange capacity of between 210~240m<sup>3</sup>/h. The Directors believe that the new models would cater to suit households, offices, hotels, conference rooms, supermarkets, schools, hospitals, etc which are typical establishments with a high concentration of occupants.

### **Promotion of new products and the Group's own brands of products**

In order to further expand its market share in overseas markets and maintain a closer relationship with its clients, the Group will continue to adopt the following marketing strategies:

- (a) strengthen product promotion through participation in international trade fairs and exhibitions in Hong Kong and other overseas cities advertising and carrying out marketing campaign via the Internet, etc.;
- (b) expand the work force of sales and marketing staff; and
- (c) set up regional sales and promotional office to promote the Group's own brands of products.

### **REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS**

In order to capitalise on the expected growth in the European and other targeted markets, the Directors intend to increase the Group's production capacity by expanding its production facilities. The Directors consider that the net proceeds from the New Issue can facilitate the Group's expansion plan.

The net proceeds of the New Issue, after deducting related expenses, are estimated to be approximately HK\$43 million. It is intended that the net proceeds will be applied as follows:

- (i) approximately HK\$12 million for expanding the Group's current production facilities and purchasing additional machinery to increase its production capacity;
- (ii) approximately HK\$8 million for product development and promotion of new products;
- (iii) approximately HK\$5 million for product research and development;
- (iv) approximately HK\$4 million for setting up logistics centre to improve the Group's efficiency in inventory control and distribution;
- (v) approximately HK\$4 million for setting up regional sales and promotional office and promoting the Group's own brands of products; and
- (vi) the remaining balance of approximately HK\$10 million as general working capital of the Group.

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To the extent that the net proceeds of the New Issue are not immediately required for the above purposes, it is the present intention of the Directors to place such net proceeds on short-term deposits with licensed banks or financial institutions in Hong Kong and/or the PRC. Should the Over-allotment Option be exercised in full, additional net proceeds of HK\$11 million will be available and the Directors intend to use the additional net proceeds as additional general working capital of the Group.