

SUMMARY OF THIS PROSPECTUS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors”. You should read such section carefully before you decide to invest in the Offer Shares.

OVERVIEW

The Group is principally engaged in the provision of engineering systems contracting services and supporting services for and sale of related spare parts and consumables to customers mainly in Hong Kong, the PRC and Southeast Asia, including Malaysia and Singapore. Besides the above principal markets, the Group also conducts the abovementioned business in Taiwan, of which turnover during the Track Record Period was mainly attributable to the Yamay Theme Park Project and provision of engineering contracting services for optical disc manufacturing systems. The Group’s engineering systems contracting services involve the customisation and integration of different systems, including audio, visual and optoelectronics systems manufactured by its suppliers, in a manner that can fulfill customers’ requirements. The principal works performed by the Group under a typical engineering system contract include, among other things, system design, planning, equipment sourcing, supervision of installation and/or integration of equipment and facilities and system test runs.

The following are the major types of systems that the Group has provided by utilising its core skills and expertise in audio, visual and optoelectronics technologies:

- optical disc manufacturing systems;
- broadcasting and audio-visual systems;
- theme park show systems; and
- intelligent traffic management systems.

During the Track Record Period, the Group’s turnover was mainly derived from contracting services relating to optical disc manufacturing systems and the theme park show systems. The Group engages in engineering systems contracting services for system users in various industries including optical disc production and replication, audio-visual entertainment, vessel traffic and theme park. The Group believes such diversified engineering systems projects portfolio enables the Group to avoid the problem of fluctuation of business in the aforesaid industries. Nonetheless, the majority of the users of the Group’s systems operate in the optical storage media industry.

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During each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004, the Group's turnover derived from the above mentioned four major types of systems were approximately (i) HK\$178.0 million, HK\$272.6 million, HK\$511.1 million and HK\$369.1 million respectively for optical disc manufacturing system contracting services; (ii) HK\$10.9 million, HK\$6.9 million, nil and nil respectively for broadcasting and audio-visual system contracting services; (iii) HK\$93.0 million, HK\$17.0 million, nil and nil respectively for theme park show system contracting services and (iv) nil, HK\$3.1 million, nil and HK\$2.0 million respectively for intelligent traffic management system contracting services. The Group's turnover derived from sale of consumables and spare parts for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004 was approximately HK\$49.4 million, HK\$60.6 million, HK\$129.1 million and HK\$78.4 million respectively.

Dividends of HK\$12.0 million, HK\$15.0 million, HK\$20.0 million and HK\$16.0 million were declared for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004. The dividend payment was funded by internally generated cash of the Group.

COMPETITIVE STRENGTHS

The Directors believe the success of the Group is attributable to a combination of the following key strengths:

- its capability to provide tailor-made solutions for customers' specific needs;
- its continual business relationship with its suppliers and customers;
- its ability to retain its experienced engineering team with in-depth technological knowledge;
- its ability to provide high quality products and services, including after-sales services;
- its ongoing research and on-the-job training provided to engineers to ensure customers benefit from current and emerging technologies; and
- the experience and mobility of the Group's engineering team in handling large-scale projects in Hong Kong, the PRC and Southeast Asia, including Malaysia and Singapore.

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FINANCIAL INFORMATION

The following is a summary of the combined results of the Group for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004 and 2003 which has been extracted from the accountants' report set out in Appendix I to this prospectus and on the basis of presentation set out therein:

	Year ended 31st March,			Eight months ended 30th November,	
	2002	2003	2004	2003	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>				
Turnover	331,341	360,235	640,194	333,377	449,528
Cost of contract works	(268,602)	(269,925)	(465,213)	(238,883)	(332,807)
Cost of sales	<u>(36,402)</u>	<u>(43,809)</u>	<u>(97,436)</u>	<u>(52,396)</u>	<u>(57,954)</u>
Gross profit	26,337	46,501	77,545	42,098	58,767
Other operating income	645	1,754	2,503	2,746	4,971
Selling and distribution costs	(549)	(1,179)	(2,801)	(1,773)	(1,511)
Administrative expenses	<u>(14,200)</u>	<u>(21,809)</u>	<u>(37,880)</u>	<u>(19,149)</u>	<u>(26,830)</u>
Profit from operations	12,233	25,267	39,367	23,922	35,397
Finance costs	<u>(460)</u>	<u>(746)</u>	<u>(610)</u>	<u>(459)</u>	<u>(417)</u>
Profit before taxation	11,773	24,521	38,757	23,463	34,980
Taxation	<u>(1,693)</u>	<u>(3,800)</u>	<u>(4,600)</u>	<u>(2,454)</u>	<u>(2,000)</u>
Net profit for the year/period	<u>10,080</u>	<u>20,721</u>	<u>34,157</u>	<u>21,009</u>	<u>32,980</u>
Dividend	<u>12,000</u>	<u>15,000</u>	<u>20,000</u>	<u>—</u>	<u>16,000</u>
Earnings per share <i>(Note)</i>	<u>4.48 cents</u>	<u>9.21 cents</u>	<u>15.18 cents</u>	<u>9.34 cents</u>	<u>14.66 cents</u>

Note: The calculation of the basic earnings per Share for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2003 and 30th November, 2004 respectively is based on the combined profit for each relevant year or period and assuming 225,000,000 Shares (comprising 150,000,000 Shares in issue as at the date of this prospectus and 75,000,000 Shares to be issued pursuant to the Capitalisation Issue) had been in issue during the relevant year or period, but without taking into account the Shares to be issued under the Share Offer and any Shares which may be issued upon the exercise of the Pre-IPO Options and options granted under the Share Option Scheme.

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According to paragraph 27 of Part I of the Third Schedule to the Companies Ordinance, the Company is required to include in this prospectus a statement as to the gross trading income or sales turnover of the Group during the three financial years immediately preceding the issue of this prospectus.

According to paragraph 31 of Part II of the Third Schedule to the Companies Ordinance, the Company is required to include in this prospectus a report by the auditors and reporting accountants of the Company with respect to the financial results of the Group for each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to Rule 4.04(1) of the Listing Rules, the Company is required to include in this prospectus an accountants' report covering the combined results of the Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

The accountants' report for each of the three years ended 31st March, 2004 and the eight months ended 30th November, 2004 has been prepared and is set out in Appendix I to this prospectus. However, as this prospectus has been issued within a short period of time after 31st March, 2005, the accountants' report has not been prepared for the full year ended 31st March, 2005 as it would be unduly burdensome for the Company to do so and impossible for the audited results for the year ended 31st March, 2005 to be finalised within a short period of time.

In these circumstances, an application was made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended 31st March, 2005 in this prospectus on the ground that it would be unduly burdensome for the Company to do so and such certificate of exemption has been granted by the SFC under section 342A(1) of the Companies Ordinance.

An application has also been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange.

The Directors have confirmed that they have performed sufficient due diligence on the Group to ensure that up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 30th November, 2004, and there is no event which would materially affect the information shown in the accountants' report as set out in Appendix I to this prospectus.

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PROFIT ESTIMATE FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2005

Estimated combined profit after taxation but before

extraordinary items of the Group (*Note 1*) HK\$50.5 million

Estimated fully diluted earnings per Share (*Note 2*) HK\$0.168

Notes:

1. The bases on which the estimated combined profit after taxation but before extraordinary items of the Group for the year ended 31st March, 2005 are set forth in Appendix II to this prospectus. The Directors are not aware of any extraordinary items which have arisen during the year ended 31st March, 2005.
2. The calculation of the estimated earnings per Share on a fully diluted basis is based on the estimated combined profit after taxation but before extraordinary items of the Group for the year ended 31st March, 2005 and 300,000,000 Shares in issue during the year but takes no account of any Shares which may be issued upon the exercise of the Pre-IPO Options or options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus

SHARE OFFER STATISTICS

	Based on an Offer Price of	
	HK\$0.88	HK\$1.06
	per Offer Share	per Offer Share
Market capitalisation (<i>Note 1</i>)	HK\$264 million	HK\$318 million
Unaudited pro forma adjusted net tangible asset value per Share (<i>Note 2</i>)	HK\$0.3084	HK\$0.3534
Prospective price/earnings multiple on pro forma fully diluted basis (<i>Note 3</i>)	5.24 times	6.31 times

Notes:

1. The calculation of market capitalisation of the Shares is based on the indicative Offer Price range of HK\$0.88 to HK\$1.06 per Offer Share and a total of 300,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Pre-IPO Options or options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.
2. The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after having made the adjustments set out in Appendix III to this prospectus and on the basis of a total of 300,000,000 Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Pre-IPO Options or options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix VI to this prospectus.

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3. The calculation of prospective price/earnings multiple on a pro forma fully diluted basis is based on the estimated fully diluted earnings per Share of approximately HK\$0.168 for the financial year ended 31st March, 2005 and the indicative Offer Price of HK\$0.88 and HK\$1.06 respectively.

USE OF PROCEEDS

Based on an Offer Price of HK\$0.97 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$0.88 per Offer Share and HK\$1.06 per Offer Share), the net proceeds of the Share Offer, after deducting the expenses payable by the Company, are estimated to be approximately HK\$57.0 million. The Directors presently intend to use the net proceeds as follows:

- approximately HK\$25.0 million for forming business alliances with upstream equipment suppliers and/or technical institutions which is anticipated to result in business synergy;
- approximately HK\$2.0 million as capital expansion of existing subsidiaries in Beijing, Shenzhen, Malaysia or Singapore and forming new subsidiaries in other overseas jurisdictions;
- approximately HK\$4.0 million for acquiring new office premises in Hong Kong and/or overseas to set up showrooms for promoting the Group's business in intelligent traffic management systems;
- approximately HK\$1.0 million for setting up a communication network and acquiring related equipment to enhance efficiency of operation;
- approximately HK\$15.0 million for the repayment of a monthly renewable revolving term loan with an outstanding principal balance of approximately HK\$15 million as at 30th April, 2005 and bearing an interest rate of 1.25% per annum over Hong Kong Interbank Offered Rate (HIBOR), which was utilised for capital expenditure and working capital;
- approximately HK\$6.0 million for expanding the Group's research capabilities through purchases of new equipment and machinery and provision of ongoing training to its engineers; and
- approximately HK\$4.0 million as working capital for catering future engineering contracting projects and as general working capital. When appropriate sizeable engineering contracting business opportunities arise, a part or all of this sum will be placed as collateral deposits with a longer term with financial institutions in support of their issuance of performance bonds or guarantees in favour of the relevant customers.

In the event that the Offer Price is fixed at HK\$1.06 per Offer Share, being the highest point of the indicative Offer Price range, the net proceeds will be increased by approximately HK\$6.75 million which will be allocated for the funding of future engineering contracting projects, such as

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placing as collateral deposits at financial institutions for the issuance of performance bonds or guarantees in favour of the relevant customers. In the event that the Offer Price is fixed at HK\$0.88 per Offer Share, being the lowest point of the indicative Offer Price range, the net proceeds will be reduced by approximately HK\$6.75 million. In such circumstances, the Directors intend to reduce the application of the proceeds for forming business alliances by such amount.

To the extent that the net proceeds of the Share Offer are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed as short term deposits with banks and authorised financial institutions in Hong Kong.

RISK FACTORS

The operations of the Group involve certain risks, a summary of which is set out in the section headed “Risk factors” in this prospectus. These risks can be broadly categorised into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; and (iv) risks relating to the Share Offer which are outlined as follows:

Risks relating to the Group

- Reliance on key personnel
- Long settlement cycle
- Reliance on suppliers and subcontractors
- Reliance on major customers
- Disputes of customers
- Exchange rate risks
- Potential Hong Kong tax exposure
- Deposits payment to suppliers
- Defect in legal title and non-registration of tenancy agreements in respect of leased properties in the PRC

Risks relating to the industry

- Rapid technology advancement
- Competition

Risks relating to the PRC

- Political and economic considerations

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- Legal and regulatory considerations
- Import regulations, import tariffs and trade restrictions

Risks relating to the Share Offer

- Liquidity and possible price volatility
- Dilution effect by the issuance of Shares under the Pre-IPO Share Option Scheme and the Share Option Scheme
- Payment of dividends
- Reliability of statistics