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The Group is principally engaged in the provision of engineering systems contracting and supporting services for and sale of related spare parts and consumables to customers. During the Track Record Period, engineering systems contracting services provided by the Group involved optical disc manufacturing systems, broadcasting and audio-visual systems, theme park show systems and vessel traffic management systems. Information of the aforesaid four industries are set out in the following:

OPTICAL STORAGE MEDIA INDUSTRY

The optical storage product includes pre-recorded optical discs (CD, CD-ROM, VCD and DVD), write-once optical discs (CD-R and DVD+/-R), rewritable optical discs (CD-RW, DVD+/-RW and DVD-RAM), and magneto-optical discs. The Group provides engineering contracting services for manufacturing pre-recorded and write-once optical discs.

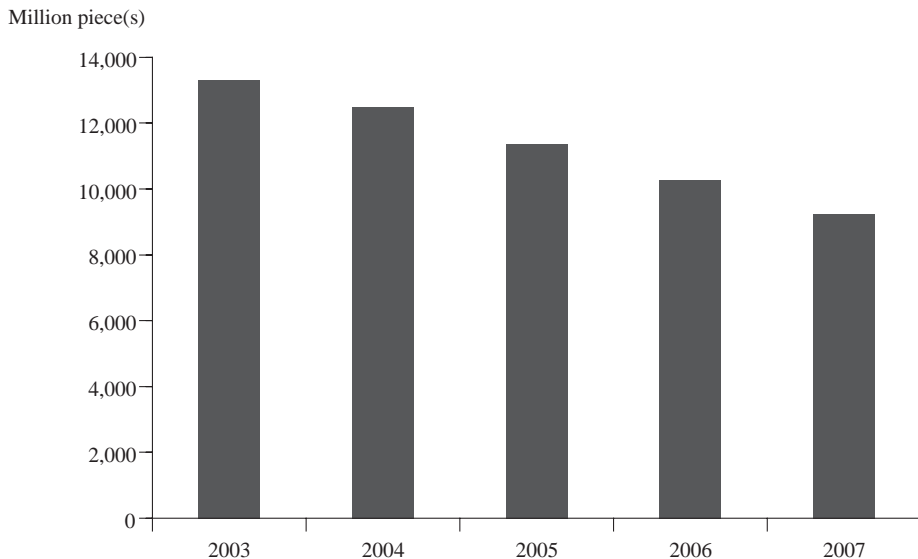
Pre-recorded optical discs

CDs

Pre-recorded CDs are generally used for music, video and computer data storage. According to a research report published by the Photonics Industry & Technology Development Association in March 2005, the worldwide market demand for pre-recorded CDs dropped from 13,310 million pieces in 2003 to 12,490 million pieces in 2004. It is anticipated that it will further drop to 9,243 million pieces in 2007.

The chart below illustrates the historical and projected worldwide market demand for pre-recorded CDs.

Worldwide market demand for pre-recorded CDs



Source: *Research Report on Optical Storage Industry and Technology Development* (光儲存產業及技術動態), March 2005

Photonics Industry & Technology Development Association ("PIDA"). PIDA was founded by the National Science Council of Taiwan (台灣行政院國家科學委員會) and was established in 1993 to accelerate the development of photonics industry in Taiwan.

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The continuing advancement in multimedia technology has resulted in the capacity of a CD becoming insufficient for use in the storage of music and cartoon as well as high definition television program in future. In addition, the availability of songs for download through the internet also contributed to the declining demand of CDs. Further, the change of format for TV games from CD-ROM to DVD-ROM has also weaken the market demand for CD-ROM.

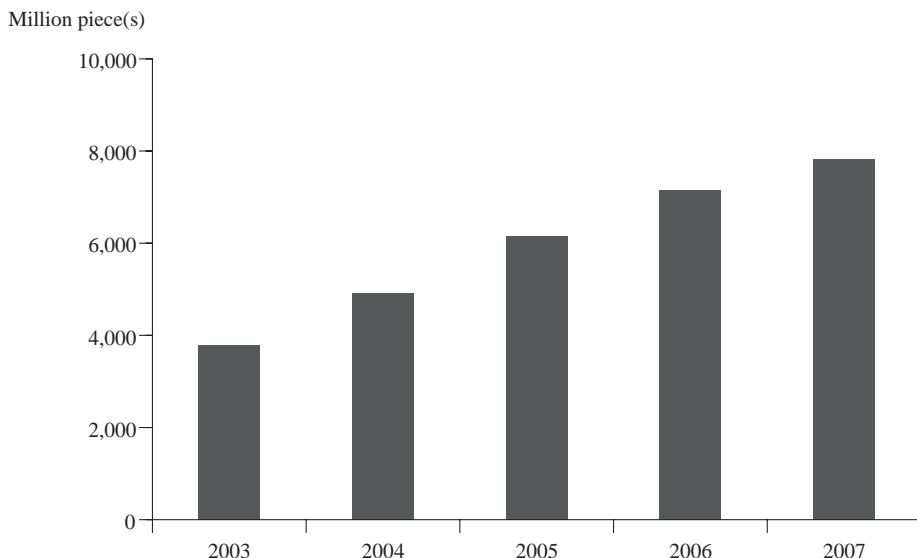
DVDs

Pre-recorded DVD are commonly used for video (DVD-V) and computer software storage (DVD-Rom). DVD-V supports multi languages and sub-titles. DVD-V also typically supports multiple aspect ratios, allowing viewers to choose from at least a couple, such as 16:9 letterbox, wide-screen formats and conventional 4:3 ratio. The increase in demand of DVDs for software storage contributes to the increasing demand for pre-recorded DVDs.

According to a research report published by the Photonics Industry & Technology Development Association in March 2005, the worldwide market demand for pre-recorded DVDs rose from 3,780 million pieces in 2003 to 4,914 million pieces in 2004. It is anticipated it will further grow to 7,828 million pieces in 2007.

The chart below shows the historical and projected worldwide market demand for pre-recorded DVDs.

Worldwide market demand for pre-recorded DVDs



Source: *Research Report on Optical Storage Industry and Technology Development* (光儲存產業及技術動態) by PIDA, March 2005

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The demand for pre-recorded DVDs has increased significantly as a result of the rapid decrease in the price of and the increasing popularity of DVD players. It is anticipated that pre-recorded DVD will penetrate the market for CDs since more users have been using DVD-ROM and DVD-V instead of CD for both business and entertainment purposes.

Write-once optical discs

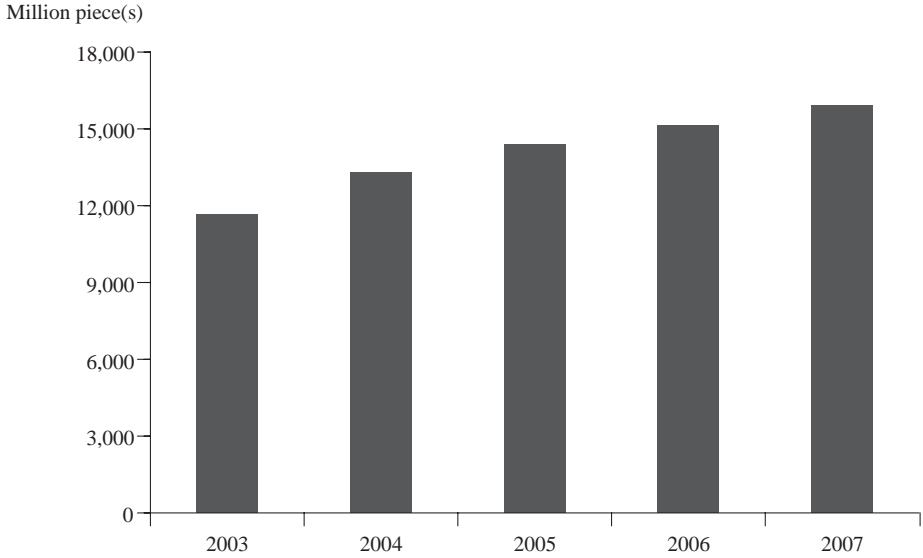
CD-R

CD-R is a write-once medium for information storage. Data written on CD-R cannot be erased. In recent years, the selling price of CD-R has fallen such that it becomes widely used for recording music, software and data storage/backup.

According to a research report published by the Photonics Industry & Technology Development Association in March 2005, the worldwide market demand for CD-R increased from 11,638 million pieces in 2003 to 13,296 million pieces in 2004. It is anticipated that the growing demand for CD-R will continue which is mainly due to the significant amount of CD burners currently in use and the expected future sales of new CD burners. It is estimated that the demand of CD-R will slightly increase to 15,889 million pieces in 2007.

The chart below illustrates the historical and projected worldwide market demand for CD-R.

Worldwide market demand for CD-R



Source: *Research Report on Optical Storage Industry and Technology Development (光儲存產業及技術動態)* by PIDA, March 2005

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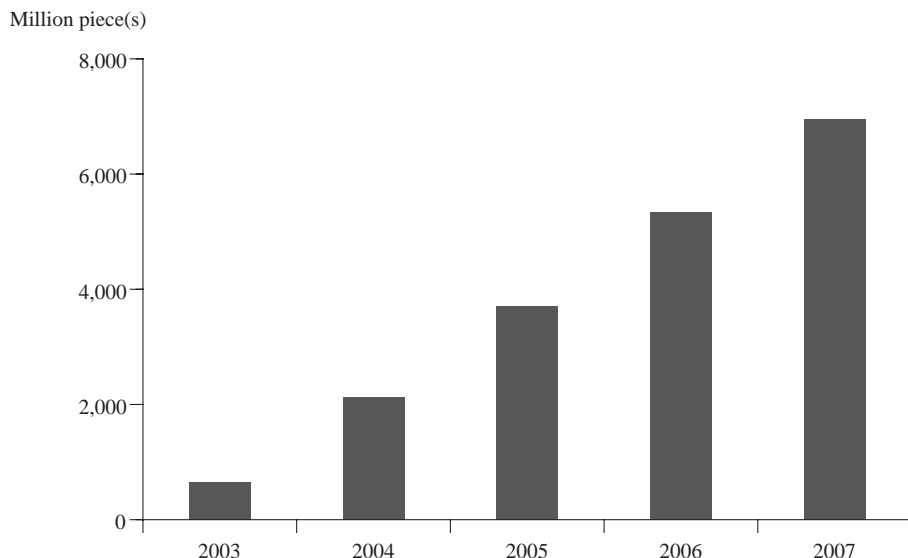
DVD+/-R

Similar to CD-R, DVD+/-R is a write-once medium for information storage. A single-layer, single-sided DVD+/-R has capacity of 4.7GB while a double-sided DVD+/-R has capacity up to 9.4GB.

The selling price of DVD burners has fallen sharply for the past two years and it becomes more affordable to consumers. The worldwide market demand for DVD+/-R accordingly increased significantly by 223.6% from 656 million pieces in 2003 to 2,123 million pieces in 2004. Due to price decrease in 2004, DVD burners have become more popular, which has resulted in the increasing demand for DVD+/-R. Due to the anticipated continuing increase in sales of DVD players, it is expected that the growth trend for the demand of DVD+/-R will be maintained. According to a research report published by the Photonics Industry & Technology Development Association in March 2005, the worldwide market demand for DVD+/-R will expand rapidly from 3,692 million pieces in 2005 to 6,961 million pieces in 2007 with an annual growth rate of 37.3%.

The chart below illustrates the historical and projected worldwide market demand for DVD+/-R.

Worldwide market demand for DVD+/-R



Source: *Research Report on Optical Storage Industry and Technology Development* (光儲存產業及技術動態) by PIDA, March 2005

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The Directors believe that the explosive growth in demand for DVDs will spur investments in DVD manufacturing equipment by optical disc manufacturers so as to meet the soaring demand for DVDs. The Directors consider this opens up new opportunities for the Group to intensify its market position and further expand the optical disc manufacturing equipment businesses.

BROADCASTING AND AUDIO VISUAL INDUSTRY IN THE PRC

The PRC government initiated economic reform policies since 1978. With the economic reform, the traditional centrally planned PRC economy has been transformed into a more market-oriented economy. As a result, the PRC economy has enjoyed a substantial growth. This is evidenced by the increase in per capita gross domestic product from RMB379 in 1978 to RMB8,184 in 2002 with an annual growth rate of 82.4%. Economic growth leads to rising living standard and development of broadcasting business. The production of television programs and broadcasting has increased by 1,420% from 318,855 hours in 1985 to 4,846,705 hours in 2002. The number of colour television sets per 100 households in urban areas has increased by 634.8% from 17.20 sets in 1985 to 126.38 sets in 2002, and for rural areas, such increase is 414.9% from 11.74 sets in 1985 to 60.45 sets in 2002.

In view of the benefits of digital broadcasting, some developed countries have carried out their digitalisation programmes to digitalise their existing traditional analogue broadcasting systems. It is expected that the United States and the United Kingdom will terminate their analogue broadcasting systems in 2006 and 2010 respectively. The State Administration of Radio Film and Television has launched its plan to digitalise the broadcasting systems in the PRC to keep up with the international standard. It is anticipated that digitalisation of television broadcasting will be completely implemented in 2010 and analogue television broadcasting will be terminated by 2015.

According to China Statistical Yearbook 2003, there are 2,200 radio and television stations in PRC in 2002. The broadcast and television covering rate of population has improved from 68.3% and 68.4% respectively in 1985 to 93.3% and 94.6% respectively in 2002. Accordingly, it is anticipated that the PRC market will play a significant role in the demand for digitalisation of broadcasting systems as a result of the PRC authorities' plan to upgrade such systems.

THEME PARKS IN HONG KONG

At present, there is only one theme park operating in Hong Kong, namely the Ocean Park. The park was opened in 1977 and has established itself as a world-class attraction with over 3 million visitors each year. New and fun-filled entertainment facilities are introduced from time to time.

A world-class theme park is expected to open in September 2005 in Hong Kong. It will occupy a total of 126 hectares initially and will further expand to 180 hectares in future. It is anticipated that such world-class attraction will attract over 5 million of visitors in its first year of operation. The Group will participate in the development of the said theme park as the Group is one of its authorised sub-contractors and the Group has already entered into a subcontracting agreement for providing rigging system and show floor for a theatre in the said theme park.

VESSEL TRAFFIC MANAGEMENT SYSTEM IN PRC

The use of vessel traffic services is to improve port efficiency and reduce the risk of marine accidents which are achieved by providing timely, accurate and relevant information to mariners. For such services, vessel traffic service performs three principal tasks, namely (a) data collection, (b) data evaluation and (c) data dissemination.

Vessel traffic services enable collection of detailed information on the waterway and insight into all traffic influencing factors such as full information about each participating vessel and its intention so that the mariners and the port officers can evaluate the marine traffic situation and make decisions accordingly. Data evaluation involves monitoring the traffic image to determine whether vessel traffic service such as providing navigation assistance is required. Vessel traffic services also enable information provision to mariners. Moreover, vessel traffic services enable port authorities to provide continuous and proactive traffic management services to vessels visiting their ports.

INDUSTRY OVERVIEW

The PRC government has developed and implemented vessel traffic service systems for ports in the PRC to enhance the navigation monitoring and marine safety. The PRC government also intends to build up a unified system for vessel traffic management so as to achieve better information sharing and port management. The Directors recognise it as an opportunity for the Group to expand its business in the market of intelligent traffic management system.