

## FUTURE PLANS AND PROSPECTS

Given the continuing advancement in technology and the development of new engineering systems, the Directors believe that there are vast business opportunities for specialised engineering systems works in Asia. With the accession of the PRC into the WTO, the Directors are optimistic about the future prospect of the PRC market, which is expected to grow at a fast pace due to the expected increase in foreign investments in the PRC. Leveraging on the Group's experience and expertise in the specialised engineering systems business, the Directors are confident that the Group is set to capture these growing opportunities. It is the goal of the Group to become one of the reputable engineering systems contractors in Asia.

The Group intends to attain its goal through implementing the following strategies:

### **1. Expansion in business operation**

Currently, a majority of the Group's business is derived from the Greater China Region whilst the remaining is mainly attributable to business generated from Southeast Asia including Malaysia and Singapore. In future, the Group plans to expand its business operations in the PRC, Malaysia and Singapore.

As the PRC is one of the principal markets that the Group intends to further develop in future, the Company plans to establish a representative office in Shanghai, the PRC. It is intended that the Shanghai representative office will be responsible for the Group's overall business development in the eastern part of the PRC. It is also intended that Linfair (Beijing) will further strengthen its marketing function, after sales services and technical consultancy services to the Group's customers in northern part of the PRC. Linfair (Shenzhen) will be responsible for engineering system design and implementation, provision of supporting services in southern China as well as the business development in the southern part of the PRC. This expansion of business operation in the PRC will enhance the Group's sales and marketing capabilities in the PRC.

In line with the Group's expansion plan in further developing its business in Malaysia and Singapore, it is intended that an office will be set up in Singapore with a view to reactivate the activities of Linfair (Singapore) and to better co-ordinate and oversee projects in Singapore and Linfair (Malaysia) will commence the provision of engineering systems contracting services in addition to installation and maintenance services. Moreover, the Group will also explore the possibility of setting up a joint venture company in Malaysia to enhance the Group's capability in bidding system engineering work contracts in the country.

### **2. Exploring new business opportunities**

Having acquired the experience in the overall audio, visual and show control system design, planning and implementation from the Yamay Theme Park Project in Taiwan, the Group intends to strengthen its presence in the theme park market in Asia. The Group is currently in negotiation with a number of entertainment attractions in Macau for provision of

engineering systems services. The Group has successfully obtained a contract in respect of installation of a rigging and show platform systems for a world class theme park in Hong Kong which is expected to be opened in 2005.

The Group also intends to continue to make use of new special effect systems which would involve lighting, sound, laser and other special effects used primarily for entertainment or show performances. The Directors expect that the special effect systems and the special projection systems will enable the Group to provide a wider spectrum of engineering solutions to customers engaging in entertainment business. In the longer term, the Group will focus on exploring business opportunities in relation to international sports and entertainment events in Asia in the future.

Apart from the potential business opportunities in providing engineering system services for large-scale entertainment events, the Group also intends to provide engineering system contracting services for the flat panel display manufacturing equipment business by leveraging on its success in the optical disc manufacturing equipment business. The recent popularity of PDAs and notebook computers has boosted the demand for flat panel displays, such as LCD monitors and high end plasma display panel. As the price of the flat panel displays continues to decrease, the Directors expect that the demand for flat screen displays will experience robust growth.

Leveraging on the Group's experience gained from the installation of broadcasting and transmission systems and the related control systems, the Group completed a project relating to the provision of vessel traffic management system for the port in Dalian, the PRC, which is a type of intelligent traffic management systems. With the employment of an expert who has approximately 30 years of experience in the aviation sector and the Group's experience in implementing vessel traffic management systems mentioned above, the Group is actively exploring business opportunities in the air traffic management systems market. The Group intends to explore more business opportunities in this area. Presently the Group considers it is easier to capture business from airports in Asia with smaller scale of traffic.

### **3. Technological advancement**

The Group is operating in markets with fast changing technologies and therefore it is important for the Group to make continuing effort in technology research and development in order to maintain and enhance its competitiveness. Through the Group's monitoring and observations of the technological advancement in the optical disc market, the Directors believe that the future trend will focus on the product development of recordable and rewritable DVDs, which has five different formats namely, DVD-R, DVD+R, DVD-RW, DVD+RW and DVD-RAM. With its expertise and substantial experience in optical disc manufacturing systems, the Group is well positioned to tap into this growing market of recordable and rewritable DVDs with the aid of further research and studies on the related technology.

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As regards the broadcasting industry, the Directors are of the view that the digitalisation technology will play a significant role in the future development of the industry. Since this technology is still in its experimental stage, the Directors believe that by focusing on the research and development of DAB and DVB technologies, the Group will be able to enjoy the first mover advantage in obtaining contracts of engineering systems for the digitalisation of radio and television broadcasting in the Asia market.

In anticipation of the fast changing technology in the markets in which the Group operates, it is the plan of the Company to enhance the Group's research capability, particularly in the technologies mentioned above, through the purchase of new equipment and machinery and the provision of ongoing training to its engineers.

#### 4. Business alliances

The Group plans to form business alliances with upstream equipment suppliers and/or technical institutions in the future. To a certain extent, the business of the Group depends on a stable supply of equipment from its upstream suppliers. Forming business alliances with upstream suppliers on an exclusive basis, as a joint product development venture or by way of strategic investment, may greatly strengthen the competitiveness of the Group. Also, forming business alliances with technical institutions by way of joint research/product development may enable it to obtain information on the latest technological developments in the industry and enhance its technological know-how which are crucial to its provision of engineering systems services to the customers. Presently no specific target supplier or institution has been identified by the Company.

### 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;

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- 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, part or all of this sum will be placed as collateral deposits for 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 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.

The Directors are of the view that the way the proceeds to be used as described above is fair and reasonable and the Joint Sponsors concur with the Directors' view. 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.