
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

The Directors believe that the PRC will continue to become one of the major production bases and markets for consumer products amid the trend of globalisation and continuous economic development in the PRC.

As precious metals electroplating is widely applied in surface-finishing process for consumer products like watches and clocks, jewellery and fashion accessories, the Group aims to capitalise on the opportunities offered by the increasing demand for the Electroplating Chemicals in the PRC and Hong Kong.

The Group's primary objective is to enhance its position as a supplier of high quality and value-for-money Electroplating Chemicals in the PRC and Hong Kong through continual business expansion and strengthening of the Group's competitive position. To achieve this business objective, the Directors plan to implement the following strategies:

Broaden the scope of products

Leveraging on its strategic cooperation with CCRI and the existing customer base, the Group intends to broaden its scope of products to satisfy the changing needs of the Group's customers arising from their business expansion and changing market demand.

Enhance value-added services

The Directors believe that the Group can strengthen its competitiveness through its value-added services such as providing technical advice on electroplating process and use of Electroplating Chemicals. In addition, as the selling price of Electroplating Chemicals changes daily corresponding with the precious metal market, the Group also provides updated metal market information to customers to enable them to optimise their inventory management.

Expand its R&D capabilities

The Group's current production technology was acquired from CCRI. For the Group's long-term benefit and business development, the Group plans to nurture its own R&D capabilities on product enhancement and product development by establishing a R&D team in Zhuhai. Through cooperation with CCRI and other research institutions in the PRC and Hong Kong, the R&D team of the Group will focus on the development of new chemical products, as well as improvement of production efficiency and product quality. The Directors expect that the Group will start its own R&D activities in the third quarter of 2003.

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Further strengthen the marketing of its products under the “Kenlap” brand name

As the PRC is the focal point of the Group’s development, the Group will continue to establish its marketing and distribution network in the PRC. The Group’s marketing team in Hong Kong is responsible for the Group’s marketing campaign, assisted by a sales team of about 20 salespersons in the PRC. The initial aim of the Group is to establish five to ten representative offices in the PRC within one year subsequent to the Listing Date, and at least one overseas distribution centre within two years after the Zhuhai Plant commencing operations. Distribution centres in the PRC are expected to be located mainly in the Pearl River Delta.

In order to establish “Kenlap” as a leading brand name in Electroplating Chemicals, the Group will continue to use “Kenlap” as its product name in order to enhance customer recognition. Under the proposed marketing campaign, the Group will provide free product samples to potential customers, advertise in relevant trade journals, and participate in trade fairs and exhibitions to increase the awareness of potential customers of the “Kenlap” brand name as well as to promote the Group’s corporate image.

USE OF PROCEEDS

Assuming that the Share Offer becomes unconditional and the Over-allotment Option is not exercised, the net proceeds of the Share Offer in respect of the New Shares receivable by the Company, after deducting underwriting fees, professional fees and other related expenses to be borne by the Company, are estimated to be approximately HK\$55.0 million. To effect the Group’s future plans as set out above, the Group currently intends that the net proceeds from the New Shares will be applied as follows:

- approximately HK\$8.3 million for conducting advertising and marketing campaign in China to promote its products and corporate image. The proposed advertising and marketing campaign includes sponsorship of and participation in trade fairs of potential customers, advertisement in industry journals, business visits to potential customers, provision of free product samples to potential customers and television advertising;
- approximately HK\$11.1 million for building an extensive marketing and distribution network, including setting up branches and representative offices in the region and recruiting a new staff force;
- approximately HK\$16.7 million for enhancement of the Group’s R&D capability in the Zhuhai Plant, which is expected to commence in the third quarter of 2003, and to participate in projects with the relevant research institutes; and
- the remaining balance of approximately HK\$18.9 million for general working capital purposes.

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If the Over-allotment Option is exercised in full, the Company will receive additional net proceeds of approximately HK\$15.3 million, and they will be applied by the Group as general working capital. To the extent that the net proceeds of the Share Offer receivable by the Company are not immediately required for the above purposes, the Directors presently intend that such proceeds will be placed on short-term deposits with banks or financial institutions or used to purchase money-market instruments.