
BUSINESS OBJECTIVES AND IMPLEMENTATION PLANS

and US for the Group's hydraulic filters. The Directors believe that based on the proposed competitive edge of the Group's hydraulic filters in terms of cost and quality, in particular the relatively high-pressure sustainability of its return line filter, the Group will be able to capture the market of the hydraulic filters in the targeted geographical locations in the long term.

Diesel oxidation catalysts

The Group is prepared to spend an aggregate of about HK\$1.8 million to conduct research and development on the Group's diesel oxidation catalyst, and to provide related training on its installation and maintenance. The Group intends to capitalise on the program proposed to be launched by the Hong Kong government in the second or the third quarter of 2002 in respect of the installation of diesel oxidation catalysts on diesel heavy vehicles. The Directors expect that the proposed program shall provide the Group with the opportunity to first introduce the Group's diesel oxidation catalyst in regular model to the market. The Group also plans to market its diesel oxidation catalyst in regular model for diesel engine driven machinery market in the second or the third quarter of 2003. With the technical expertise and experience gained in the development and commercialisation of *Eco-Trap*, in particular, the experience to work with the Hong Kong government in supplying and installing *Eco-Trap* for diesel light vehicles under the Voluntary Installation and Subsidy Program, the Directors believe that the Group possesses the ability to obtain a contract from the Hong Kong government to supply and install the Group's diesel oxidation catalyst for diesel heavy vehicles. The Directors consider that the Group is capable of capturing both the diesel heavy vehicle market and the diesel engine driven machinery market of the diesel oxidation catalysts in the targeted geographical locations in the long term.

Soundproof barrier

The Group plans to spend an aggregate of about HK\$4.0 million to conduct further research and development and recruit experienced technical staff for the production of the Group's soundproof barrier. Leveraging on the substantial knowledge of Dr. Pau in the ANC technology, his participation in the development of the ASE soundproof barrier of JAI Company Limited in Japan and the assistance from JAI Company Limited, the Directors believe that the Group will be able to successfully develop the Group's soundproof barrier for adoption in Hong Kong, PRC and Taiwan at later stages.

Other products and services

In addition to the three new products currently under development as mentioned above, the Group will continuously explore opportunities for developing other environmental protection related products and services in future. The Directors consider that the development of innovative products and services will allow the Group to enlarge its product and service range and to attain new sources of revenue.

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At present, the Group plans to commence the feasibility study of waste plastic recycling process. The Group intends to spend an aggregate of about HK\$1 million to conduct research and development and recruit technical staff for a project of waste plastic recycling process. The Group has retained Professor Georg Menges (“Professor Menges”), an expert in the area of plastic recycling and a professor in the Institute of Plastics Processing, Technical University of Aachen, Germany, as the Group’s technical consultant to assist it in developing the waste plastic recycling process which aims to convert waste plastic into oil substances and finally, energy, in Hong Kong. The Group’s proposed waste plastic recycling process will align with the overall objectives of the Hong Kong government in waste reduction and waste recycling, in particular, its strategy to turn waste into energy. The Directors believe that with the assistance from Professor Menges, the Group will be able to successfully develop the waste plastic recycling process, which is able to convert waste plastic into energy and the Directors will strive to gain the necessary support from the Hong Kong government for the launch of the waste plastic recycling process.

Development of new markets

The Directors consider that certain major cities in the PRC, which also encounter similar air pollution problems as Hong Kong, are potential markets for the Group’s products which are designed to abate air pollution problems, particularly with regard to the introduction of *Eco-Trap*. Accordingly, the Group has identified Shunde, the Guangdong Province as the first market in the PRC for *Eco-Trap*. The Group intends to work closely with the distribution agent(s) to be appointed to obtain necessary support and approval from the relevant environmental protection authority in Shunde for the sale of *Eco-Trap* in the fourth quarter of 2002 or the first quarter of 2003 and to formally launch *Eco-Trap* in Shunde in the second or third quarter of 2003. Thereafter, the Group plans to expand the market for *Eco-Trap* to other cities in the Guangdong Province of the PRC, including Foshan, Panyu, Zhuhai and Zhongshan and various cities in the Fujian Province. The Group plans to develop the PRC market for *Eco-Trap* through the appointment of distribution agents and carrying out direct marketing activities. After its entry into the PRC market, the Group may consider launching *Eco-Trap* in other potential markets such as Taiwan if suitable opportunities arise.

In addition, the Group intends to explore potential overseas markets for diesel oxidation catalyst and pressure line filter currently under development. There is no specific overseas market identified by the Group yet. However, for diesel oxidation catalyst, the PRC market is expected to be developed through the appointment of distribution agents and carrying out direct marketing activities by the Group. For hydraulic filter, distribution agents will be appointed to assist in developing the targeted overseas markets including the US.

The Directors consider that the development of new markets for its products and services will not only strengthen its revenue base, but will also enhance its reputation in the environmental protection industry as a result of wide distribution and usage of its environmental protection related products and services in the overseas markets.

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The following table shows the time frame or proposed time frame for the launch of the products of the Group in the targeted markets.

Product	Targeted markets				
	Hong Kong	PRC	Taiwan	US	Europe
<i>Eco-Trap</i>	Sep 2000	mid or late 2002	–	–	–
Diesel oxidation catalyst	mid 2002	late 2003 or early 2004	–	–	–
Soundproof barrier	mid or late 2004	–	–	–	–
Hydraulic filters	–	May 2001/ mid or late 2002	May 2001/ mid or late 2002	late 2001 or early 2002/ late 2002 or early 2003	late 2003
Waste plastic recycling process	late 2004	–	–	–	–

Improvement in production capabilities

The Directors consider that the establishment of the Group's own production facilities shall play a key role in enabling the Group to satisfy the market demand in the environmental protection industry and to facilitate the research and development of the Group's existing products, and services. Accordingly, the Group plans to establish its own production facilities for the production of *Eco-Trap*, diesel oxidation catalyst, hydraulic filters and soundproof barrier. It is expected that about HK\$7 million will be utilised to establish the Group's production facilities in the PRC by the second or third quarter of 2003.

In the meantime, in order to control the Group's overhead and operating expenses effectively, it is the Group's strategy to outsource its production and assembly activities. The Group has currently engaged two contractors in the PRC for the production of *Eco-Trap* and hydraulic filters. Before commencement of operation of the Group's own production facilities in 2003, the Group plans to source more quality contractors in the PRC to undertake mass production required to accommodate increasing demand for the Group's products, in terms of quantity, quality and variety.

Improvement of the quality of existing products and service performance

The Directors recognise that maintaining a high quality standard for the Group's products and service performance is vital for its reputation and continuing business growth. Improvement in the quality of its products and service performance is therefore one of the important initiatives for the Group's business development. The Group will continue to conduct research and development through its research and development team in order to enhance the performance of its existing products and services.

Establishment of extensive distribution networks

The Directors believe that an effective distribution network is essential to the successful commercialisation of the Group's products in the targeted markets.

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At present, 18 Caltex service stations have been engaged in the sale and installation of *Eco-Trap* in Hong Kong under the co-operation arrangement between the Group and Caltex. In addition, five garages have also been engaged to sell and install *Eco-Trap*. For the installation services provided by Caltex and the garages, the Group will pay Caltex and the garages an installation fee for each *Eco-Trap* installed. The Group aims to enlarge the sales network for retail and to develop the wholesale network of *Eco-Trap* in Hong Kong through the efforts of the Group's marketing team who are responsible to approach different associations, such as the Light Bus Association, garages and car accessory shops in Hong Kong.

The Group intends to sell its hydraulic filters to the distributors at fixed prices. The Group's existing distributor of hydraulic filter has distribution network in Taiwan and the PRC. The Group will negotiate with the distributors to set up sub-agents in eastern part of the PRC.

As described in the preceding paragraph headed "Development of new markets", the Group plans to establish distribution networks of its existing and future products in its targeted overseas markets by appointing experienced distribution agents. The Directors consider that this is an effective means to establish overseas distribution networks, given that a speedy establishment of distribution networks will facilitate efficient market penetration of new products in overseas markets.

Securing government support

The Directors consider that supportive government policies are crucial to the successful development of the environmental protection industry. Governments, always play important roles in promoting environmental protection, for example, the launch of the Voluntary Installation and Subsidy Program for vehicle particulate reduction devices by the Hong Kong government. Likewise, the Directors believe that most of the environmental production related products which are now under development by the Group, including diesel oxidation catalyst and soundproof barrier, together with waste plastic recycling process planned to be developed by the Group will also benefit from the Hong Kong government's initiatives in environmental protection. As such, the Group will seek to secure support from government authorities, both in Hong Kong, the PRC and other targeted overseas markets through conducting feasibility studies, technical information exchanges, negotiations and demonstrations of the prototype of the Group's products.

Promotion of public awareness towards environmental protection issues

Public awareness for environmental protection is also indispensable to the business of the Group, particularly in developing the Group's environmental protection related products in the PRC market. Accordingly, the Group will place emphasis on the promotion of environmental protection awareness through various activities such as conducting scientific research and exploration, market surveys, technical seminars, and mass media publicity in newspapers, radio and television, both in Hong Kong and in the PRC.

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IMPLEMENTATION PLANS

The following sets out the Group's implementation plans for the period from the Latest Practicable Date up to and including 31 October 2004:

For the period from the Latest Practicable Date to 30 April 2002

Product and service development

Product	Funding required during the period	Actions to be taken
<i>Eco-Trap</i>	HK\$0.4 million	<ul style="list-style-type: none">• continue to provide cleaning services for contaminated filter cartridges of <i>Eco-Trap</i> in Hong Kong• initiate marketing efforts for promoting <i>Eco-Trap</i> and targeting at private diesel car owners in Hong Kong who are not eligible for grants to install vehicle particulate reduction devices under the Voluntary Installation and Subsidy Program ("Non-subsidised Private Diesel Car Owners") by direct advertisement and organised sales campaigns in the service stations of Caltex• commence designing of production process of <i>Eco-Trap</i> for in-house production• redesign and modify <i>Eco-Trap</i> for in-house production
Diesel oxidation catalysts	HK\$0.4 million	<ul style="list-style-type: none">• complete testing of the Group's diesel oxidation catalyst in accordance with the initial specifications specified by the relevant government authorities in Hong Kong• decide whether to purchase or to produce the Group's diesel oxidation catalyst. If the diesel oxidation catalyst is decided to be produced by the Group, the Group will start designing the production process in relation thereto• modify the design of the Group's diesel oxidation catalyst according to test result• apply and obtain the efficiency certificate for the Group's diesel oxidation catalyst specified by the relevant government authorities in Hong Kong• introduce the Group's diesel oxidation catalyst for heavy diesel vehicles in Hong Kong• continue with or, where appropriate, conclude the negotiation with the relevant government authorities in Hong Kong on the use of diesel oxidation catalysts for diesel heavy vehicles in Hong Kong under the program proposed to be launched by the Hong Kong government• identify other sales opportunities for the Group's diesel oxidation catalyst in Hong Kong

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Hydraulic filters	HK\$0.3 million	<ul style="list-style-type: none">• continue the design and research and development of pressure line filter• recruit 1 engineer for the design, modification and customer service of hydraulic filters• complete the design of the pressure line filter, start producing prototype by contractor and carry out field tests for the pressure line filter in Taiwan• appoint 1 distributor for the Group's suction filter and return line filter in the US
Soundproof barrier	HK\$0.6 million	<ul style="list-style-type: none">• continue negotiation with the relevant government authorities in Hong Kong on the use of the Group's soundproof barrier• commence the research and development of the Group's soundproof barrier using the ASE technology and carrying out modification work to cater for the environment in Hong Kong• identify other sales opportunities for soundproof barrier in Hong Kong• test ASE by independent consultant
Waste plastic recycling process	–	<ul style="list-style-type: none">• commence the feasibility study and negotiation with the relevant government authorities in Hong Kong on the use of the Group's proposed waste plastic recycling process• continue with feasibility study and negotiation with the relevant government authorities in Hong Kong on the use of the Group's proposed waste plastic recycling process

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For the period from 1 May 2002 to 31 October 2002

Product and service development

Product	Funding required during the period	Actions to be taken
<i>Eco-Trap</i>	HK\$0.4 million	<ul style="list-style-type: none"> • promote the use of <i>Eco-Trap</i> and the related cleaning services to non-subsidised Private Diesel Car Owners in Hong Kong • conduct feasibility study and negotiate with the PRC government authorities on the introduction of <i>Eco-Trap</i> in the PRC • commence and complete the modification of <i>Eco-Trap</i> for diesel light vehicles in the PRC • provide training to distribution agents in the PRC to market <i>Eco-Trap</i> • recruit 2 staff for management of <i>Eco-Trap</i> project in the PRC • apply and obtain the licence in the PRC for selling of <i>Eco-Trap</i> • initiate marketing efforts for promoting <i>Eco-Trap</i> to diesel light vehicle owners in Guangdong Province, the PRC through the distribution agents and by direct promotion and sales call to garages
Diesel oxidation catalysts	HK\$0.4 million	<ul style="list-style-type: none"> • continue to promote diesel oxidation catalysts for heavy diesel vehicles in Hong Kong • if the relevant contract is granted to the Group, commence sales of the Group's diesel oxidation catalyst in Hong Kong under the program launched by the Hong Kong government in relation to the use of diesel oxidation catalysts for diesel heavy vehicles in Hong Kong • modify the diesel oxidation catalyst to reduce cost for in-house production
Hydraulic filters	HK\$0.2 million	<ul style="list-style-type: none"> • modify the pressure line filter in line with test results and complete the design, research and development of the same • continue to develop the markets in the PRC, Taiwan and US • identify sales opportunities for the Group's suction filter and return line filter in other markets, such as countries in Europe • launch pressure line filter in the PRC and Taiwan
Soundproof barrier	HK\$0.7 million	<ul style="list-style-type: none"> • continue with negotiation with the relevant government authorities in Hong Kong on the use of the Group's soundproof barrier • continue with the research and development of soundproof barrier
Waste plastic recycling process	HK\$0.2 million	<ul style="list-style-type: none"> • continue with negotiation with the relevant government authorities in Hong Kong on the use of the Group's proposed waste plastic recycling process • commence research and development on the waste plastic recycling process • identify market opportunities for the Group's waste plastic recycling process in Hong Kong

Other development

Event	Funding required during the period	Actions to be taken
Establishment of production facilities	HK\$5 million	<ul style="list-style-type: none"> • identify suitable premises for the production facilities in the PRC • commence establishment of the production facilities

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For the period from 1 November 2002 to 30 April 2003

Product and service development

Product	Funding required during the period	Actions to be taken
<i>Eco-Trap</i>	HK\$0.4 million	<ul style="list-style-type: none"> • continue to promote the use of <i>Eco-Trap</i> and the related cleaning services to Non-subsidised Private Car Owners in Hong Kong • conduct study on the possibility of replacing the stainless metallic fibrous elements in <i>Eco-Trap</i> with any other materials for easy cleaning
Diesel oxidation catalysts	HK\$0.5 million	<ul style="list-style-type: none"> • if the relevant contract is granted to the Group, continue to sell the Group's diesel oxidation catalyst in Hong Kong under the program launched by the Hong Kong government in relation to the use of diesel oxidation catalysts for diesel heavy vehicles • initiate marketing efforts for promoting the Group's diesel oxidation catalyst and targeting at diesel heavy vehicle owners who are not entitled to assistance provided by the Hong Kong government under the above program ("Diesel Heavy Vehicle Owners") • provide training to installers to maintain the diesel oxidation catalyst • conduct study on the possibility of modifying the diesel oxidation catalyst for cost reduction purpose
Hydraulic filters	HK\$0.4 million	<ul style="list-style-type: none"> • continue to develop the markets in Hong Kong, the PRC, Taiwan and US • conduct research on the hydraulic filter market in Europe
Soundproof barrier	HK\$0.4 million	<ul style="list-style-type: none"> • continue with negotiation with the relevant government authorities in Hong Kong on the use of the Group's soundproof barrier • continue with the research and development of the Group's soundproof barrier
Waste plastic recycling process	–	<ul style="list-style-type: none"> • continue with negotiation with the relevant government authorities in Hong Kong on the use of the Group's waste plastic recycling process • continue with the research and development of the Group's waste plastic recycling process

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Other development

Event	Funding required during the period	Actions to be taken
Establishment of production facilities	HK\$2 million	<ul style="list-style-type: none"> • complete establishment of the production facilities in the PRC • recruit 2 managing staff and 2 engineering staff for the production facilities • commence operation of the production facilities which are expected to support monthly production of: <ul style="list-style-type: none"> – 1,000 pieces of <i>Eco-Traps</i> – 500 pieces of diesel oxidation catalysts – 1,000 pieces of hydraulic filters

For the period from 1 May 2003 to 31 October 2003

Product and service development

Product	Funding required during the period	Actions to be taken
<i>Eco-Trap</i>	HK\$0.4 million	<ul style="list-style-type: none"> • identify revenue generating opportunities for provision of cleaning services of <i>Eco-Trap</i> in Guangdong Province, the PRC • commence in-house production of <i>Eco-Trap</i> in the Group's production facilities in the PRC with initial production capacity of 20 <i>Eco-Traps</i> per day
Diesel oxidation catalysts	HK\$0.5 million	<ul style="list-style-type: none"> • continue to promote the use of the Group's diesel oxidation catalyst to the Diesel Heavy Vehicle Owners • modify the Group's diesel oxidation catalyst for diesel engine driven machinery market • market the Group's diesel oxidation catalyst for the diesel engine driven machinery market • recruit 1 sales engineer for the Group's diesel oxidation catalyst specifically for the diesel engine driven machinery • commence in-house production of diesel oxidation catalyst in the PRC with the initial production capacity of 20 diesel oxidation catalysts per day from February 2002
Hydraulic filters	HK\$0.1 million	<ul style="list-style-type: none"> • commence in-house production of hydraulic filters in the PRC with initial production capacity of 30 hydraulic filters per day • continue to develop the markets in the PRC, Taiwan and US • identify and appoint distributors in Europe
Soundproof barrier	HK\$1 million	<ul style="list-style-type: none"> • recruit 2 technical staff dedicated to the soundproof barrier project • continue to negotiate with the relevant government authorities in Hong Kong on the use of the Group's soundproof barrier • complete the research and development of the Group's soundproof barrier and start to build prototype • conduct testing of the Group's soundproof barrier

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Product	Funding required during the period	Actions to be taken
Waste plastic recycling process	HK\$0.3 million	<ul style="list-style-type: none"> • continue with/conclude negotiation with the relevant government authorities in Hong Kong on the use of the Group's waste plastic recycling process • start to build prototype for requisite plant and machinery • commence testing of the Group's waste plastic recycling process

For the period from 1 November 2003 to 30 April 2004

Product and service development

Product	Funding required during the period	Actions to be taken
<i>Eco-Trap</i>	HK\$0.4 million	<ul style="list-style-type: none"> • continue to promote the use of <i>Eco-Trap</i> in Guangdong Province, the PRC • expand the promotion and commence sales of <i>Eco-Trap</i> to Fujian Province, the PRC
Diesel oxidation catalysts	–	<ul style="list-style-type: none"> • modify the Group's diesel oxidation catalyst for the PRC market • appoint distribution agents for the PRC market for the Group's diesel oxidation catalyst • initiate marketing efforts for the Group's diesel oxidation catalyst in the PRC through the distribution agents and by direct promotion and sales call to garages • provide training to distribution agents for selling the Group's diesel oxidation catalyst in the PRC (<i>Note</i>) • recruit 1 project engineer for the diesel oxidation catalyst in the PRC for its enhancement and commercialisation <p style="margin-left: 40px;"><i>(Note: if the contract under the program proposed to be launched by the Hong Kong government in relation to the use of diesel oxidation catalysts for diesel heavy vehicles in Hong Kong is not granted to the Group, all these activities relating to the PRC market will be carried out during the period from 1 May 2004 and the Group will continue to develop the PRC market for its diesel oxidation catalyst thereafter)</i></p>
Hydraulic filters	–	<ul style="list-style-type: none"> • continue to sell hydraulic filters in US and Europe
Soundproof barrier	HK\$1.0 million	<ul style="list-style-type: none"> • complete the testing of the Group's soundproof barrier • promote the idea of quiet road and rail in Hong Kong by installing soundproof barrier
Waste plastic recycling process	HK\$0.3 million	<ul style="list-style-type: none"> • complete the testing of the Group's waste plastic recycling process

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For the period from 1 May 2004 to 30 October 2004

Product and service development

Product	Funding required during the period	Actions to be taken
<i>Eco-Trap</i>	–	<ul style="list-style-type: none">• expand the promotion and commences sales of Eco-Trap to other provinces in the PRC
Hydraulic filters	–	<ul style="list-style-type: none">• continue to sell in European market
Soundproof barrier	HK\$0.3 million	<ul style="list-style-type: none">• commence in-house production of the Group's soundproof barrier• commence sales of the Group's soundproof barrier in Hong Kong
Waste plastic recycling process	HK\$0.2 million	<ul style="list-style-type: none">• recruit 1 technical staff for the waste plastic recycling project• conduct market promotion and campaign to the public on their awareness to keep Hong Kong clean

BASES AND ASSUMPTIONS

The Directors have prepared the above implementation plans and strategies on the basis of the Group's experience in the environmental protection industry in relation to market demand and developments, and government policies. Specifically, the Directors have adopted the following assumptions in the assessment and formulation of the Group's business plans and strategies:

- there will be no material changes in the existing laws (whether in Hong Kong, the PRC, the Cayman Islands or any other part of the world), policies or industry or regulatory treatment relating to the Group, or in the political, economic or market conditions in which the Group operates;
- inflation, interest rates and exchange rates will not differ materially from those prevailing as of the Latest Practicable Date;
- no material changes in the bases or rates of taxation applicable to the Group;
- qualified personnel can be recruited and retained by the Group;
- external financing will be readily available to the Group;
- research and development progress according to schedule;
- the Group will be able to obtain patents or licences, if necessary, for applications filed in relation to the new products and services proposed to be developed and launched during the period concerned;

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- the Group is able to obtain contracts from the relevant government authorities in supplying the Group's new products such as diesel oxidation catalysts and soundproof barrier;
- there will be continuous demand for the Group's products and services;
- the Placing will be completed in accordance with and as described in the section headed "Structure and conditions of the Placing" in this prospectus;
- there will be no changes in the legislation or regulations of Hong Kong, the PRC, the Cayman Islands or any other part of the world which are applicable to environmental protection industry and the local governments of the countries in which any of the products and services of the Group are or shall be marketed will continue to support the environmental protection industry; and
- the Group will not encounter any problem or disruption adversely affecting its operations or development plans in any way, including but not limited to:
 - shortage or disruption in the supplies of *Eco-Trap* manufactured by its contractors, and major components and raw materials of *Eco-Trap*, or significant increases in their prices;
 - serious industrial accidents, natural or political disasters disrupting the operations of the Group;
 - serious malfunctioning of the machinery and equipment of the Group's contractors;
 - serious labour disputes or industrial actions of the Group's contractors affecting the operations of the Group;
 - serious labour shortage or significant increase in wages of the Group's contractors; and
 - any other force majeure event.