
FUTURE PLANS AND PROSPECTS

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group intends to raise funds by way of Placing for the expansion of the Group's data broadcasting business, in particular, the expansion of its sales and marketing networks and capabilities, the on-going research and development of information service technology and the mass production of reception modules so as to capitalise on the fast growing market in the PRC.

The net proceeds of the Placing based on the minimum amount of \$35.4 million being raised under the Placing and after deducting related expenses, assuming the Over-allotment Option is not exercised, are estimated to amount to approximately \$27.1 million. It is intended that the net proceeds will be applied as follows:

- as to approximately \$2.5 million for the acquisition of computer software, computer hardware and other equipment including software tools, application software, workstations, servers and product testing equipment for ordinary production and operation of the Group;
- as to approximately \$3.0 million for market development, comprising marketing campaigns, advertising and development of distributorship, in the light of the Group's plans to participate in not less than 7 trade shows and engage not less than 100 distributors by the year ended 31st December, 2001;
- as to approximately \$4.5 million for research and development of advanced models of financial and multimedia TV set top boxes and enhanced versions of multimedia broadcasting access software;
- as to approximately \$8.0 million as working capital for the provision of FC data broadcasting transmission modules to approximately 60 TV network operators by the end of 2000;
- as to approximately \$3.0 million as working capital for the mass production of the financial TV set top boxes;
- as to approximately \$3.0 million as working capital for the mass production of the multimedia TV set top boxes;
- as to approximately \$2.5 million as working capital for the sourcing of contents for data broadcasting which includes primary and secondary education materials from reputable teachers in the PRC; and
- as to the balance of approximately \$0.6 million as general working capital of the Group for funding the general expenditure of the Group's Hong Kong liaison office.

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Items (in \$'000)	Latest Practicable Date – 30/6/2000	1/7/2000 – 31/12/2000	1/1/2001 – 30/6/2001	1/7/2001 – 31/12/2001	Total
Acquisition of computer software, computer hardware and other equipment					
Computer software	300	200	100	100	700
Computer hardware	400	200	400	400	1,400
Other equipment	300	100			400
Market development					
Marketing campaigns	400	200			600
Advertising	1,100	500			1,600
Distributorship	400	400			800
Research and development					
Data broadcasting software	500	600	400	400	1,900
Data broadcasting hardware	1,000	400	600	600	2,600
Working capital					
Production of transmission modules for data broadcasting	5,300	2,700			8,000
Production of reception modules for data broadcasting					
— Financial TV set top boxes	1,500	1,500			3,000
— Multimedia TV set top boxes	3,000				3,000
Sourcing of contents for data broadcasting	1,500	1,000			2,500
General	150	150	150	150	600
Total	15,850	7,950	1,650	1,650	<u>27,100</u>

To the extent that the net proceeds of the Placing are not immediately required for the above purposes, it is the present intention of the Directors that they will be placed on short-term interest-bearing deposits with licensed banks in Hong Kong and/or the PRC.

If the Over-allotment Option is exercised in full, the Company will receive additional net proceeds of approximately \$5.1 million (based on the minimum Placing Price of \$1.18), after deducting commission and expenses attributable to the exercise of the Over-allotment Option. Should the net proceeds of the Placing exceed \$27.1 million, it is the present intention of the Directors that the relevant surplus be used as working capital for production of transmission modules for data broadcasting so as to expedite its expansion of strategic alliance with TV network operators and general working capital for the Group's Hong Kong liaison office.

It is the present intention of the Directors that the Group's business objectives for the year ending 31st December, 2002 will be financed by the Group's internal resources and/or bank financing.