
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

BUSINESS OF THE GROUP

The Group is one of the leading PC-based open platform automation and control solution, hardware and software providers in the PRC to have developed its own products. It is principally engaged in the research, design, integration and supply of automation and control systems, components, software applications, products and services for the automation of various major industries and buildings. The current business of the Group places strong emphasis on the sale of automation and control system hardware and system integration services and the Group's revenue is derived mainly from the sale of such hardware. Other than the iron and steel industry which the Group has served, the Group's automation and control system can also be applied in oil drilling and exploration, petrochemical, cement manufacturing and the automation of other industries and intelligent buildings.

The Group was founded by Dr. Sze and was established in Shenzhen in 1997 as an automation and control system integrator in order to meet the increasing demand for sophisticated industrial and building automation and control systems in the PRC. Dr. Sze has extensive experience in the integration of industrial automation and control systems and has worked as the general manager of a state-owned enterprise which specialised in industrial automation and control system integration. When the Group was established in September 1997, it was principally engaged in the integration of automation and control systems mainly using hardware and software developed by overseas manufacturers of automation and control products. At the same time, the Group concentrated on the research and development of automation and control hardware and software of its own. In 1999, the Group successfully developed its own automation and control system known as TCS which is a PC-based open platform system and can be tailor-made in accordance with the specific requirements of customers.

As at the date of this prospectus, the business of the Group is focused mainly on the industrial automation and control sector. However, as the Directors believe that the building automation market will experience rapid growth in the future with increasing demand for automation of buildings constructed for various purposes including airports, factories, plants, hospitals, schools, offices and residential buildings, the Directors intend to diversify the Group's business focus and enter the building automation and control sector.

By early 1999, the Group completed its development of TCS, a set of PC-based automation and control system which adopts non-proprietary open operating platforms such as Windows NT and similar technologies which have become familiar in the office automation area. Another characteristic of TCS is that it is an open control system adopting the TCP/IP, a common communication platform, for the purpose of data exchange between the field control stations and the control centre of the system. Therefore, TCS automation and control systems are the hubs which link systems for control, instrumentation and supervision of an industrial process. One of the main advantages is that it renders information accessible at any point in the process so that parties across the organisation can collect data from or send commands through internet or intranet.

SUMMARY

The Group has also developed software applications and firmware which can support the operations of the CPUs deployed in the controllers. These controllers monitor and control the field control stations and other functions such as user defined function blocks through which customers can enter variables specific to their various industries. These features make TCS an automation and control system which can be tailor-made in accordance with the specific requirements of customers from different industries.

Building upon such an open platform control system with the capacity of being tailor-made, the Group intends to develop advance process control (APC) technologies in order to achieve process and quality control optimisation which will in turn improve process efficiency, safety, quality, cost and regulatory compliance. On the foregoing basis, the Directors believe that the Group has the capability to become an established total solutions provider for industrial and building automation and control systems.

The Directors attribute the Group's successful growth and development to the following principal factors:—

- **Market focus on major industrial and building sectors**

Since its establishment in 1997, the Group has targeted customers in major industrial sectors in the PRC such as the steel industry, oil drilling and electricity generation which the Directors believe have invested and, in the future, will invest substantially in sophisticated and state-of-the-art automation and control systems. With this focus, the Group was able to build up a substantial knowledge base in this sector which the Directors believe would translate into a strong barrier of entry and a competitive advantage over its competitors. The Directors are of the opinion that building and home automation in the PRC is a growing sector of the automation and control industry and the Group intends to diversify its business focus and enter this sector from an early stage onwards in order to enable it to capture a large portion of the market share in this sector.

- **Strong and dedicated management team**

Dr. Sze and most of the senior management of the Group have more than 10 years of experience in the automation and control industry. In addition, the Group's management have accumulated in-depth knowledge through their previous project engagements with major industrial enterprises in the PRC.

- **Reputable customer base**

Having served the major industrial sector in the PRC for an average of more than 10 years, Dr. Sze and the senior management of the Group have built up a customer base which includes large PRC state-owned and international industrial enterprises in the PRC. This customer base has generated repeated business, and has become a source of new business for the Group through referrals and references by such customers.

- **Established reputation and product recognition**

Dr. Sze and the senior management of the Group have built a reputation among major industries in the PRC for delivering high quality automation and control systems. This is evidenced by the fact that some customers have adopted more than one of the Group's TCS

SUMMARY

automation and control systems. The Directors believe that the recognition of the Q/TWS-001-2000 standard, an internal standard set by the Group on its automation and control system, on 18 August 2000 by the Shanghai Institute of Process Automation Instrumentation (上海工業自動化儀表研究所), which is accredited by Lloyd's Register of Shipping, would very likely cause the Group's products to be recommended by relevant PRC authorities for adoption in projects subsidised by the PRC government, especially those which aim at improving or rebuilding the automation and control systems used by major state-owned industrial enterprises so as to improve on their efficiency. The Directors believe that such recommendation will further enhance the recognition of the Group's ability to deliver reliable and efficient automation and control systems.

- **Advanced product technology achieving international standards**

The Directors believe that the technologies of the Group's products are not only comparable with those of major international enterprises in the automation and control industry. The Group's products also offer special features that are tailor-made for the unique requirements of the industrial enterprises in the PRC, which foreign competitors may not be able to satisfy. The Directors believe that such strengths allow the Group to establish a niche in the PRC which will allow the Group to gain substantial market share and reputation in the future. The Group has adopted the following features for its automation and control systems:

- *Technical expertise on the internet protocol*

The Group has developed technical expertise in a number of internet-related technologies in relation to the use of the internet and/or intranet to perform on-line data gathering, programming and controlling functions. The Directors believe that such technical expertise would enable the Group to participate in business opportunities arising from the increasing use of the internet and/or intranet as a medium through which automation and control functions are performed.

- *Ethernet connection to capitalise on the market trend for open system*

The Group has developed controllers with Ethernet TCP/IP capability which provides the benefit of Ethernet connectivity without the need for gateways, terminal servers or other miscellaneous hardware. Since Ethernet uses TCP/IP protocol, which is one of the most widely used communication standards in the world, for data transmission, adopting Ethernet for the Group's FCS to connect various instruments and control systems enables TCS to become an open system. As an open system offers the advantages of integrating and sharing of resources with different systems and supporting the development of the CIM, it will be best suited for adoption by industrial enterprises in the PRC which often use fragmented automation and control systems that are incompatible with each other. The Group's use of Ethernet allows it to capitalise on the increasing demand for open system as well as to fulfill the unique requirements of the PRC industrial sector.

- *More cost-effective FCS*

The Group has successfully modified its fieldbus for FCS so that when customers upgrade their systems, they can still use their existing instruments adopted by their original automation and control systems and at the same time enjoy the full benefits of faster communication speed offered by FCS. Such features allow customers to save costs while the Group will also be able to offer their services at a more competitive price.

SUMMARY

- *Software platform and internet connection*

The use of Windows NT, Windows 95 or Linux as the software platform for different operating stations together with internet browsers allows TCS to perform remote monitoring and diagnostic functions. The controllers are also able to send alert signals automatically by electronic mails. The Directors believe that such features allow TCS to become a highly open system with the capability of being developed into a more advanced automation and control system.

- *Total automation solutions*

Other than the ability to integrate automation and control systems for customers in the PRC, the Group also possesses the capability to offer total automation solutions which encompass system design, control system integration, instrumentation and full support services at quality standards and reliability that are comparable with the technology of the Group's international competitors. The Directors believe that as the old automation and control systems adopted by the PRC's industrial enterprises are being replaced at an increasing rate, the Group will be able to capitalise on this market potential to become a leading total automation solution provider for industrial enterprises in the PRC.

- **Strategic alliance and partnership with reputable organisations**

The Group entered into a contract with Intellution, a major international software applications provider specialising in the development of software applications for automation and control systems, to jointly develop control software applications for the TCS operating systems under the copyrights of TFIX. TFIX is modeled upon the IFIX system which is solely developed by Intellution with the addition of certain new functions based on specifications provided by the Group. The Group will have to pay Intellution a one-off development fee of approximately US\$18,000 and a fixed license fee for each set of TFIX sold by the Group. The amount of such fixed license fee varies for different versions of TFIX and ranges from approximately RMB12,000 to RMB73,000. The intellectual property rights of the TFIX system belongs to the Group.

Furthermore, the Group has entered into strategic partnerships with various industrial and commercial enterprises in the PRC to jointly develop more advanced versions of the TCS automation and control systems by adopting APC and other new technologies and promote and market the Group's products.

The Group has also fostered close business relationships with reputable corporations in major industries and the automation and control industry such as Shanghai Automation Instrumentation Co., Ltd. System Engineering Co. (上海自動化儀表股份有限公司系統工程公司) and Sichuan Instrumentation Control System Integration Company Limited (四川儀器控制系統工程公司), through joint venture projects or other business arrangements.

The Directors believe that the Group will benefit from such close on-going relationships with its business partners since the Group can leverage on their industry expertise, market coverage and brand recognition in implementing its future business strategies.

SUMMARY

RESEARCH AND DEVELOPMENT

The Group places great emphasis on research and development. Currently, there are around 35 staff members specialising in computer and industrial technologies in the research and development department. The Directors believe that more and more business opportunities will arise from the increasing use of the internet and/or intranet as a medium through which automation and control functions are performed. Therefore, the Group's research has focused and will continue to focus on internet-related technologies in relation to the use of internet and/or intranet to perform on-line data gathering, programming and controlling functions in the future. In addition, the Group will explore other technologies that can be applied to the development of the Group's business and operations such as APC and CompactPCI.

On 10 October 2000, the Group entered into a cooperation agreement with Shanghai Hui Ming Automation Information Industry Company Limited ("Hui Ming"), (上海慧銘自動化信息產業有限公司), a business entity in which Shanghai Jiaotong University (上海交通大學) has invested, which specialises in the research on industrial optimisation software applications, for the purposes of jointly developing TCS into an automation and control system which incorporates APC capacity and industrial optimisation software applications. The strategic partnership between the Group and Hui Ming will not become an independent legal entity. Therefore, there will not be a shareholding structure. The profits and costs allocation arrangement will be negotiated by the Group and Hui Ming on a project-by-project basis based on the contributions of each partner. Under normal circumstances, no specific financial commitment, including development fee and license fee, will be imposed on the Group in relation to such strategic partnership.

Furthermore, the Group intends to cooperate with the research institutes of various universities for the development of APC models to be used in automation and control software applications which are aimed at various major industries in the PRC.

SUMMARY

CORPORATE REORGANISATION

The Company's reorganisation process is detailed under the section headed "Corporate reorganisation" in Appendix V to this prospectus. As a result of the reorganisation, the interests of the existing shareholders in the Company are summarised as follows:—

Name of shareholders	Date on which shareholding interest in the Group was first acquired	Number of Shares held immediately after the Placing and Capitalisation Issue	Approximate percentage of shareholding (immediately after the Placing and Capitalisation Issue)	Approximate cost per Share (HK\$)	Total investment amount (HK\$)
Otto Link <i>(Note 1)</i>	N/A	168,000,000	48.00%	N/A	N/A
Goldwiz <i>(Note 2)</i>	28 June 2000	61,824,000	17.66%	1.4557	90,000,000
Mr. T. Siu <i>(Note 3)</i>	1 June 2000	38,976,000	11.14%	<i>(Note 3)</i>	<i>(Note 3)</i>
Mr. K. F. Siu <i>(Note 4)</i>	5 July 2000	5,600,000	1.60%	0.8936	5,003,900
Streetwise <i>(Note 5)</i>	5 July 2000	5,600,000	1.60%	0.8936	5,003,900

Notes:

- Otto Link is beneficially owned as to 80% by Dr. Sze, a founder of the Group and the chairman of the Company and as to 20% by Mr. Tung, an executive Director.
- On 28 June 2000, Goldwiz acquired 55.2% of the issued share capital in United Power Investments Limited, which then held 40% of the issued share capital in Usualink, and a shareholder's loan of HK\$2,208,000 due from United Power Investments Limited to Mr. T. Siu at a total consideration of HK\$90,000,000, of which HK\$32,880,000 was paid in cash and HK\$57,120,000 was satisfied by the issue of 84,000,000 ordinary shares in Goldwiz Holdings, the holding company of Goldwiz.
- On 1 June 2000, Mr. T. Siu acquired the entire issued share capital in United Power Investments Limited, which then held 40% of the issued share capital in Usualink, from Dr. Sze and He Zhi Feng and the shareholders' loans in the aggregate amount of HK\$4,000,000 due from United Power Investments Limited to Dr. Sze and He Zhi Feng at a total consideration of HK\$6,181,850. Mr. T. Siu subsequently transferred 55.2%, 5% and 5% of the issued share capital in United Power Investments Limited to Goldwiz on 28 June 2000 and Mr. K. F. Siu and Streetwise on 5 July 2000 respectively at a total consideration of approximately HK\$100,007,800.
- On 5 July 2000, Mr. K. F. Siu acquired 5% of the issued share capital in United Power Investments Limited, which then held 40% of the issued share capital of Usualink, from Mr. T. Siu at a total cash consideration of approximately HK\$5,003,900.
- On 5 July 2000, Streetwise acquired 5% of the issued share capital in United Power Investments Limited, which then held 40% of the issued share capital of Usualink, from Mr. T. Siu at a total cash consideration of approximately HK\$5,003,900.

SUMMARY

RESTRICTION ON DISPOSAL OF SHARES

Name of Initial Management Shareholders/ Significant Shareholders ²	Number of Shares directly or indirectly held and subject to the moratorium	Approximate percentage of total issued Shares subject to the moratorium ¹ (%)	Moratorium period
Otto Link ^{3 & 4}	168,000,000	48.00	6 months
Dr. Sze ⁴	168,000,000	48.00	6 months
Mr. Tung ⁵	168,000,000	48.00	6 months
Goldwiz ⁶	61,824,000	17.66	6 months
Goldwiz Holdings	61,824,000	17.66	6 months
Mr. T. Siu ⁷	38,976,000	11.14	6 months

Notes:

1. The number of Shares and the percentages referred to above reflect each Initial Management Shareholder's interest in the Relevant Securities and the Significant Shareholder's interest in the Relevant Securities immediately after completion of the Placing and the Capitalisation Issue and on the assumption that the Over-allotment Option is not exercised.
2. Each of the Initial Management Shareholders and the Significant Shareholder has undertaken and covenanted with the Company, JS Cresvale (for and on behalf of the Underwriters), China Everbright and the Stock Exchange that it/he will not dispose of (or enter into any arrangement to dispose of) nor permit the registered holder to dispose of (or enter into any arrangement to dispose of) any of its/his respective direct or indirect interest in the Relevant Securities during the First Relevant Lock-up Period.
3. Each of Otto Link, Dr. Sze and Mr. Tung has undertaken with the Company, JS Cresvale (for and on behalf of the Underwriters), China Everbright and the Stock Exchange that it/he will not dispose of (or enter into any arrangement to dispose of) any of its/his direct or indirect interest in the Relevant Securities during the Second Relevant Lock-up Period if such disposal would result in it/he ceasing to have control in 35 per cent. or more of the voting power at general meetings of the Company.
4. Dr. Sze is the chairman of the Company and a director of Otto Link which is an investment company 80% owned by Dr. Sze. He is deemed to be an Initial Management Shareholder and will have a deemed interest in the 168,000,000 Shares held by Otto Link for the purpose of the GEM Listing Rules.
5. Mr. Tung is a Director and a director of Otto Link, which is an investment company 20% owned by Mr. Tung. He is deemed to be an Initial Management Shareholder and will have a deemed interest in the 168,000,000 Shares held by Otto Link for the purpose of the GEM Listing Rules.
6. Goldwiz Holdings holds 100% of the issued share capital of Goldwiz, an investment company. Goldwiz Holdings is deemed to be an Initial Management Shareholder and will have a deemed interest in the 61,824,000 Shares held by Goldwiz for the purpose of the GEM Listing Rules.
7. Mr. T. Siu is a substantial shareholder of the Company. He is also a substantial shareholder of Goldwiz Holdings and owns approximately 13.79% of the equity interest in Goldwiz Holdings.

SUMMARY

TRADING RECORD

The SFC has granted a waiver in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule of the Companies Ordinance so that the Group is only required to include in this prospectus the trading record, financial results and information covering the two financial years immediately preceding the issue of this prospectus — see the paragraph headed “Waivers from Compliance with Section 342(1) of the Companies Ordinance” under the section headed “Waivers from Compliance with the GEM Listing Rules and Companies Ordinance” of this prospectus.

The Directors are aware of the requirement of Rule 11.11 of the GEM Listing Rules which states that the latest financial period reported on by the reporting accountants must not have ended more than six months before the date of this prospectus. The Company has sought and obtained a waiver from compliance with such a requirement from the Stock Exchange. The Directors confirm that they have performed sufficient due diligence on the Group to ensure that, save as disclosed herein, up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 30 June 2000, and there is no event which would materially affect the information shown in the accountants’ report set out in Appendix I to this prospectus.

The table below sets out a summary of the audited combined results of the Group for each of the two years ended 30 June 1999 and 30 June 2000 respectively, which should be read in conjunction with the accountants’ report set out in Appendix I to this prospectus. The combined results are prepared on the basis of presentation set out in the accountants’ report.

	1999		2000	
	<i>RMB'000</i>	<i>HK\$'000</i> <i>(Note 1)</i>	<i>RMB'000</i>	<i>HK\$'000</i> <i>(Note 1)</i>
Income from fixed price contracts <i>(Note 2)</i>				
— Sales of system control equipment and software products	4,107	3,839	22,746	21,458
— Fees for system integration services	1,296	1,211	5,032	4,747
	<u>5,403</u>	<u>5,050</u>	<u>27,778</u>	<u>26,205</u>
Total turnover				
Cost of sales	(2,409)	(2,251)	(11,697)	(11,035)
	<u>2,994</u>	<u>2,799</u>	<u>16,081</u>	<u>15,170</u>
Gross profit <i>(Note 3)</i>				
Distribution and selling expenses	(433)	(405)	(871)	(822)
General and administrative expenses	(2,813)	(2,629)	(5,774)	(5,447)
	<u>(252)</u>	<u>(235)</u>	<u>9,436</u>	<u>8,901</u>
Profit (Loss) from operations				
Interest income	92	86	26	25
	<u>(160)</u>	<u>(149)</u>	<u>9,462</u>	<u>8,926</u>
Profit (Loss) before taxation				
Taxation	—	—	—	—
	<u>(160)</u>	<u>(149)</u>	<u>9,462</u>	<u>8,926</u>
Profit (Loss) attributable to shareholders				
	<u>(160)</u>	<u>(149)</u>	<u>9,462</u>	<u>8,926</u>
Earnings (Loss) per share				
— Basic <i>(Note 4)</i>	<u>RMB(0.06) cents</u>	<u>HK(0.05) cents</u>	<u>RMB3.38 cents</u>	<u>HK3.19 cents</u>

SUMMARY

The profit (loss) attributable to shareholders would have been impacted by the following notional adjustments. These adjustments are made for information purposes to reflect the pro forma information detailed in sections 3.f (iii), 4.d, 4.f and 4.g of the accountants' report in Appendix I to this prospectus, as if the arrangements set out in these sections had been in effect during the years ended 30 June 1999 and 2000.

	1999		2000	
	<i>RMB'000</i>	<i>HK\$'000</i> <i>(Note 1)</i>	<i>RMB'000</i>	<i>HK\$'000</i> <i>(Note 1)</i>
Profit (Loss) attributable to shareholders as set out above	(160)	(149)	9,462	8,926
Notional adjustments (<i>Note 5</i>)				
— Directors' emoluments	(1,470)	(1,374)	(1,404)	(1,325)
— Interest income from a related company	—	—	19	18
— Interest expense to a former shareholder of Techwayson Industrial	—	—	(27)	(25)
— Interest expense to shareholders	—	—	(63)	(59)
	<hr/>	<hr/>	<hr/>	<hr/>
Adjusted profit (loss) attributable to shareholders	<u>(1,630)</u>	<u>(1,523)</u>	<u>7,987</u>	<u>7,535</u>
Adjusted earnings (loss) per share				
— Basic	<u>RMB(0.58) cents</u>	<u>HK(0.54) cents</u>	<u>RMB2.85 cents</u>	<u>HK2.69 cents</u>

Notes:

- Translation of amounts from Chinese Renminbi ("RMB") into Hong Kong dollars ("HK\$") is for the convenience of readers and has been made at the rates of exchange in effect at 30 June 1999 of RMB107=HK\$100, and 30 June 2000 of RMB106=HK\$100. No representation is made that the RMB amounts could have been, or could be, converted into HK\$ at such rates or at any other rate.
- The Group's income from fixed price contracts is stated after deducting Mainland China value-added tax ("VAT") at 6 per cent. of revenue from fixed price contracts, city and country maintenance tax at 1 per cent. of the amount of VAT levied and educational surcharge at 3 per cent. of the amount of VAT levied.
- Gross profit of the Group for the years ended 30 June 1999 and 2000 were mainly contributed from the sales of system control equipment and software products.
- The calculation of basic earnings (loss) per share for the years ended 30 June 1999 and 2000 is based on the profit (loss) attributable to shareholders during the years and assuming 280,000,000 shares in issue and issuable, comprising 10,000 shares in issue as at the date of this prospectus and 279,990,000 shares to be issued pursuant to the Capitalisation Issue as described in Appendix V of this prospectus.
- Details of notional adjustments are set out in sections 3.f(iii), 4.d, 4.f and 4.g of the accountants' report in Appendix I to this prospectus.

SUMMARY

BUSINESS OBJECTIVES

The Group's overall business objective is to further consolidate its position as a leading total solutions provider in the PRC and later, to become a leading international total solutions provider for automation and control systems by developing and supplying advanced-technology products, systems and services that conserve energy, increase productivity, enhance comfort, increase safety and protect the environment. The Group has identified the following key strategies to help it achieve this objective:

- continue its commitment to research and development by such measures, including the cooperation with research departments in various universities in the PRC renowned for their research on automation and control for different industries in order to further advance the technology used for the TCS and to increase its adaptability for use in different industries;
- continue to form alliances with strategic and technology partners in order to aggressively implement the aim of the Group to become a total solutions provider for industrial and building automation and control systems;
- expand geographically by establishing regional operations and, in particular, set up representative offices and branches firstly in major cities in the PRC and Southeast Asia and, later, in Europe and the United States, in order to further establish distribution channels and networks for its products and services; and
- strengthen its sales and marketing capabilities by establishing joint ventures with major industrial and commercial enterprises in the PRC in order to further enhance the credentials and reputation of the Group.

Please refer to the section headed "Specific business objectives up to the year ending 30 June 2003" below for details of the Group's specific future business objectives.

RISK FACTORS

The Directors consider that the operations and results of the Group are subject to certain risks which can be categorised into (i) risks relating to the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; and (iv) risks relating to the Placing:—

Risks relating to the Group (pages 22 to 24)

- Reliance on major customers
- Funding requirements of the Company
- Reliance on key personnel
- Sustainability of profit

SUMMARY

- Limited operating history
- Fixed-price contracts
- Dependence on large system contracts
- Dependence on the performance of certain industries in the PRC

Risk relating to the industry (pages 24 to 25)

- Competition
- Rapid technological changes
- Intellectual property rights
- Potential product liability

Risk relating to the PRC (pages 25 to 26)

- Political and economic environment
- Foreign exchange control and currency conversion risks
- Import restrictions on computer hardware and software

Risks relating to the Placing (page 26)

- Price volatility and liquidity of the Shares
- Statistics from unofficial publications
- Forward looking statements

PROFIT FORECAST FOR THE YEAR ENDING 30 JUNE 2001

Forecast combined profit after taxation but

before extraordinary items (*Note 1*)not less than HK\$52 million
(RMB56 million)

Forecast earnings per Share

pro forma fully diluted (*Note 2*)HK\$0.152

SUMMARY

PLACING STATISTICS

	Based on an Offer Price of HK\$0.62 per Share (Note 3)	Based on an Offer Price of HK\$0.92 per Share (Note 3)
Market capitalisation (Note 4)	HK\$217 million	HK\$322 million
Pro forma fully diluted price/earnings multiple (Note 5)	4.08 times	6.05 times
Adjusted net tangible asset value per Share (Note 6)	HK\$0.24	HK\$0.30

Notes:

1. The bases and assumptions on which the forecast combined profit after taxation but before extraordinary items for the year ending 30 June 2001 has been prepared are set out in Appendix II to this prospectus. The Directors are not aware of any extraordinary items which have arisen or are likely to arise during the year ending 30 June 2001.
2. The calculation of the forecast earnings per Share on a pro forma fully diluted basis is based on the forecast combined profit after taxation but before extraordinary items for the year ending 30 June 2001 and on the assumption that 350,000,000 Shares in issue immediately following completion of the Placing and the Capitalisation Issue had been in issue on 1 July 2000. The calculation has been made after adjusting for the interest income that would have been earned if the net proceeds of the Placing based on an Offer Price of HK\$0.77 per Share (being the mid-point of the Offer Price range) had been received on 1 July 2000 and interest had been earned thereon at a rate (net of tax) of 4.75 per cent. per annum from that date up to the expected date of receipt of the net proceeds of the Placing. It does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The Offer Price does not include 1 per cent. brokerage and 0.01 per cent. Stock Exchange transaction levy.
4. The calculation of market capitalisation of the Shares is based on 350,000,000 Shares in issue immediately after the completion of the Placing and Capitalisation Issue but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares described in Appendix V to this prospectus, or otherwise. If the Over-allotment Option is exercised in full, the market capitalisation of the Shares at the Offer Price would be approximately \$223.5 million based on an Offer Price of HK\$0.62 per Share and approximately HK\$331.7 million based on an Offer Price of HK\$0.92 per Share.
5. The calculation of the price/earnings multiples on a pro forma fully diluted basis is based on the estimated earnings per Share on a pro forma diluted basis assuming that the Over-allotment Option is not exercised and that the Shares were issued on 1 July 2000 at the Offer Price of HK\$0.62 and HK\$0.92 respectively per Share. It takes no account of any Shares which may fall to be issued upon exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the pro forma fully diluted number of Shares assumed to have been in issue would be 360,500,000 shares and the estimated earnings per Share on the pro forma fully diluted basis mentioned above would be HK\$0.148 based on the Offer Price of HK\$0.77 per Share (being the mid-point of the Offer Price range).

SUMMARY

6. The adjusted net tangible asset value per Share has been arrived at after making the adjustments referred to in the paragraph headed “Adjusted net tangible assets” under the section headed “Financial information” of this prospectus and on the basis of an aggregate of 350,000,000 Shares in issue and to be issued as mentioned herein but takes no account of any Shares which may fall to be allotted and issued upon the exercise of the Over-allotment Option or of any options which may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares described in Appendix V to this prospectus or otherwise.

If the Over-allotment Option is exercised in full or in part, the adjusted net tangible asset value per Share will increase. However, the Directors believe that this will not have any material effect on the shareholders of the Company.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that listing of the Shares on the GEM will enhance the Company’s profile and strengthen its capital base for future growth and development. The net proceeds will also assist the Group in research and development, corporate and business development, service enhancement, marketing and brand building.

The net proceeds of the Placing, after deduction of underwriting fees and estimated expenses payable by the Company in relation to the Placing and assuming an Offer Price of HK\$0.77 per Placing Share, (being the mid-point of the stated range of the Offer Price of between HK\$0.62 and HK\$0.92 per Placing Share), are estimated to be approximately HK\$40 million. The Directors currently intend to use the net proceeds as follows:

- approximately HK\$17 million for the research and development of new control system technologies for the period ending 31 December 2001;
- approximately HK\$7 million for cooperation and investment projects with large-scale customers in the PRC which fit into the Group’s business strategy for the period ending 30 June 2001;
- approximately HK\$7 million for marketing and promotional activities for the period ending 30 June 2001;
- approximately HK\$6 million for the geographical expansion of the Group for the period ending 31 December 2001;
- approximately HK\$2 million for establishing a training centre for the Group’s customers for the period ending 30 June 2001; and
- approximately HK\$1 million for developing e-automation.com.cn website for the period ending 30 June 2001.

Should the Over-allotment Option be exercised in full, and based on an Offer Price of HK\$0.77 per Placing Share, being the mid-point of the stated range of the Offer Price of between HK\$0.62 and HK\$0.92 per Placing Share, the Company will receive additional net proceeds of approximately HK\$7.8 million. The Directors intend to use such additional proceeds for general working capital.

SUMMARY

To the extent that the net proceeds of the issue are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short term interest earning deposits with licensed banks and other financial institutions in Hong Kong.

The Directors understand that the net proceeds from the Placing will not be sufficient to finance the Company's business plans for the Forward Looking Period which will require an estimated total cost of approximately HK\$175 million to implement. The Directors consider that the net proceeds from the Placing of approximately HK\$40 million will be sufficient to sustain the Company's business plans regarding its research and development and geographical expansion up to 31 December 2001 and the net proceeds will be able to sustain the Company's business plans for its sales and marketing up to 30 June 2001. The Directors intend to meet the remaining funding requirement for the Company's business plans during the Forward Looking Period, which is estimated to be approximately HK\$135 million, principally through internally generated cashflows supplemented by bank financings or raising funds in the international capital and debt markets, or through a combination of these methods, whichever the Directors may consider appropriate in the circumstances. Should the Over-allotment Option be exercised in full, the net proceeds from the Placing will be increased by approximately HK\$7.8 million and the remaining funding requirement of the Company in order to implement its business plans during the Forward Looking Period is estimated to be reduced to approximately HK\$127.2 million. The Company is aware that it is prohibited from issuing new Shares within the period of six months following the date on which dealings in the Shares commence on the GEM.

In the event that any of the Group's business objectives does not materialise or proceed as planned, the Directors will conscientiously evaluate the situation and may reallocate the proceeds for other business purposes so long as they represent the best interest of the Company and its shareholders and comply with the GEM Listing Rules.

In the event there is to be any material modification to the use of proceeds as described above, the Company will issue an announcement of any changes on the GEM website.