

MANAGEMENT PARAMETERS

TABLE 1	DEMOGRAPHY	
	Area (^{'000} KM ²)	Population (millions)
China	9.600	1200
North American Free Trade Agreement (NAFTA)	21.457	278
Rest of Developed World	44.120	2.486

TABLE 2	MARKETING COSTS
Information on competitors' activities	HKD 75,000
Market share information	HKD 50 000

TABLE 3	AGENTS (CHINA), DISTRIBUTORS (NAFTA) & INTERNET DISTRIBUTOR COSTS
Minimum support cost, per agent/distributor, per quarter	HKD 50,000
Cost of setting up an agent/distributor	HKD 75,000
Cost of terminating an agent/distributor	HKD 50,000

TABLE 4	INTERNET COSTS
% of value of Internet sales as Service Provider's fee	3%
First time joining fee to Internet Service Provider	HKD 75,000
Quarterly cost per Internet Port	HKD 10,000
Cost of closing down an internet operation	HKD 50,000

TABLE 5	MANUFACTURING PARAMETERS		
	Product 1	Product 2	Product 3
Minimum time per unit	60 min.	75 min.	120 min.
Minimum assembly time per unit	100 min.	150 min.	300 min.
Raw material content per unit	1 unit	2 units	3 units

TABLE 6	MAINTENANCE COSTS
Maintenance cost per machine, per hour	HKD 850
Cost per hour of emergency maintenance (not contracted for)	HKD 1.750

TABLE 7	MAXIMUM HOURS AVAILABLE PER MACHINE Per Quarter, Relative to Shift Level Worked	
Shift Level	Maximum hours per quarter that each machine can work, accumulating hours to each successive level of shift	Unskilled workers needed for each machine
Single (1)	588 hours	4
Double (2)	1.092 hours	8
Treble (3)	1.638 hours	12

TABLE 8	SCRAP VALUES FOR REJECTED PRODUCTS		
	Product 1	Product 2	Product 3
Scrap value per product unit	HKD 400	HKD 800	HKD 1,200

TABLE 9	CHARGE FOR GUARANTEE REPAIRS & SERVICING		
	Product 1	Product 2	Product 3
Retail servicing cost, per unit	HKD 600	HKD 1,500	HKD 2,500

Note that repairs carried out as a result of a product recall are charged at 75% of normal charge

TABLE 10	PRODUCTION COSTS
Cost of supervision per shift	HKD 125.000
Production overheads, per machine	HKD 35.000
Running cost per machine hour	HKD 80
Production planning cost per unit requested	HKD 10
Cost of quality control department	HKD 80.000

TABLE 11	CONTAINER CAPACITY		
Container capacity in terms of products	Product 1	Product 2	Product 3
	500	250	125
Note: Mixed loads can be carried: eg, 1 unit Prod. 3 = 2 units Prod. 2 or 4 units Prod. 1			

TABLE 12	TRANSPORTATION COSTS
Daily all-in hire cost of container	HKD 6.500
Maximum vehicle distance allowed each day	400 KM
Distance to Nafta shipping port	250 KM
Cost of container hire	HKD 80.000
Distance to Internet Distribution Agent	150 KM

TABLE 13	WAREHOUSING & PURCHASING
Available raw material storage at factory (units)	2,000
Quarterly cost of factory warehouse and administration	HKD 125.000
Cost of external storage per raw material unit	HKD 25
Cost of storage per product unit at China Agents and Internet Distributors	HKD 35
Cost of storage per product at Nafta Distributor	USD\$ 4
Premium charge for unplanned material purchase	+10% on spot price

TABLE 14	METHOD OF CALCULATING AVERAGE QUARTERLY STOCK HOLDINGS & INTEREST
0.5 x (opening value + closing value)	

TABLE 15		HUMAN RESOURCE DEPARTMENT COSTS		
		Recruitment	Compensation for Dismissal	Initial Training
Skilled assembly workers		HKD 20.000	HKD50,000	HKD 85.000
Unskilled machinists		HKD 10.000	HKD20,000	---

TABLE 16	MAXIMUM HOURS EACH PRODUCTION WORKER CAN WORK AND PAY PREMIUMS			
Shift Level	Hours Per Worker at Basic Rate	Hours Per Worker at Saturday Rate (basic pay + 50%)	Hours Per Worker at Sunday Rate (basic pay + 100%)	Machinists Shift Premium
Single (1)	420	+84	+84	0
Double (2)	420	+42	+84	1/3
Treble (3)	420	+42	+84	2/3

TABLE 17	MINIMUM HOURS & SALARIES
Unskilled machinists' minimum paid hours per quarter	350 hours
Skilled assembly workers' strike hours per week	49 hours
Skilled assembly workers' minimum hours per quarter	0
Skilled assembly workers' minimum hourly rate of pay	HKD 40
Minimum management budget per quarter	HKD 300,000
Ratio of unskilled machinists' rate of pay to skilled rate	65%

TABLE 18	COST OF MACHINES
Cost per machine (total)	HKD 3,500,000
Payable at time of order	HKD 1,750,000
Payable on installation	HKD 1,750,000
Machine rate of depreciation per quarter	2,50%
Decommissioning Charge	HKD 700,000

TABLE 19	METHOD OF COMPUTATIONS
Financial Limits Overdraft:	
	50% of value of (property + raw material stock + product stock)
plus	90% of debtors
less	100% tax due
less	100% of creditors
<i>Note: All of these values are taken from last quarter's Balance Sheet</i>	
Borrowing Power:	
	0.5 x (share price at the end of last quarter x number of shares)
less	100% of (term loans already in place + bank overdraft limit as calculated above)
Credit-worthiness for buying machines:	
	Borrowing Power + Cash + Investments - unsecured loans (all from last quarter's Balance Sheet)
less	50% of the value of each machine due to be installed next quarter
<i>Note: If any of these limits work out to be less than 0, the limit will be set to 0.</i>	

TABLE 20	FINANCIAL PARAMETERS
Tax rate per annum (assessed in the fourth quarter of the year, and paid in the second quarter)	30%
Fixed overheads per quarter	HKD 300,000
Variable overhead rate per quarter	0.30%
Credit control cost per unit sold in China and Nafta	HKD 10
Credit card rate on internet sales	HKD 10
INTEREST RATES ON:	
Investments	Annual China base rate announced last quarter
Overdraft	Annual China base rate announced last quarter plus 4%
Unsecured loans	Annual China base rate announced last quarter plus 10%
Term loans	Fixed annual rate of 12%

TABLE 21	PRODUCT STOCK & RAW MATERIAL STOCK VALUATION
Product Stock:	
	110% of the total cost of all products, with each product calculated as:
	The raw material content valued at six-month price quoted last quarter
plus	The basic skilled wage rate times the assembly-time for the product
plus	(The machining time for the product x 4) x (65% of the basic wage rate)
	x (the % shift premium)
Raw Material Stock:	
	90% of the lowest of the Spot, 3-month or 6-month quoted last quarter, times the number of units in stock or due to be delivered

Note: If any product stock is brought forward from the quarter before last, then the valuation will be the weighted average of the opening stocks plus new deliveries.

TABLE 22 INSURANCE OPTIONS		
Insurance Plan Number	Insurance Excess	Insurance Premium
0	100%	no insurance
1	0,10%	0,60%
2	0,20%	0,35%
3	0,30%	0,20%
4	0,40%	0,10%

Note: The monetary value of the primary risk is calculated as:
the quoted percentage of Property plus Machines plus Raw Material Stock plus Product Stock taken from last quarter's Balance Sheet

TABLE 23	TARGET PAYMENT PERIODS FOR DEBTORS
Internet	0 days (credit card)
China agents	60 days
NAFTA distributors	90 days

TABLE 24	TIMING OF PAYMENTS TO CREDITORS	
EXTERNAL COST ITEMS (Internal and labor costs omitted)	If goods are delivered or services are provided next quarter, the charged amount will be paid:	
	Next Quarter	Quarter after Next
Advertising		100%
Guarantee servicing		100%
Internet Service Provider	100%	
Payments to agents and distributors	100%	
Transportation costs		100%
Warehousing costs		100%
Personnel costs	100%	
Research & Development	100%	
Maintenance		100%
Business intelligence		100%
Web-site development		100%
Other miscellaneous costs	100%	
Raw materials (Note 1)	50%	50%
Machines (Note 2)	50%	50%
Interest	100%	
Insurance	100%	

Note 1: All materials ordered next quarter (regardless of date of future delivery) will be paid 50% next quarter and 50% in the quarter after next. The second payment will not be affected by changes in the exchange rate in the meanwhile.

Note 2: Machines will be ordered next quarter and a 50% deposit paid; and installed in the quarter after next at which time the second 50% of the payment will be made..

TABLE 25		WEB-SITE CAPACITY				
<i>Demand on your web-site will vary considerably from hour to hour across the day. If you are not able to give quick and efficient service to visitors at peak times, your marketing image can decline quite sharply. However, it is difficult to assess the capacity of your web-site which depends on the number of ports linking you to your ISP. The following table gives a guide to the link between ports and service.</i>						
Number of Ports in parallel	1	2	5	10	20	50
Maximum theoretical capacity						
number of visits per hour	12	24	60	120	240	600

Practical working capacity
number of visits per hour

2

7

31

81

190

537