Poly Advertising and Engineering | A business plan

Thom M. Tingley

The University of Montana

Follow this and additional works at: http://scholarworks.umt.edu/etd

Recommended Citation
Permission is granted by the author to reproduce this material in its entirety, provided that this material is used for scholarly purposes and is properly cited in published works and reports.

** Please check "Yes" or "No" and provide signature **

Yes, I grant permission  
No, I do not grant permission

Author's Signature  

Date 1/30/96

Any copying for commercial purposes or financial gain may be undertaken only with the author's explicit consent.
Poly Advertising and Engineering: A Business Plan

By Thom M. Tingley

A professional paper submitted in partial fulfillment of the requirements for the degree of

Master of Business Administration

University of Montana
1996
POLY ADVERTISING AND ENGINEERING: A BUSINESS PLAN

by

Thom M. Tingley

B.B.A., The University of New Mexico, 1991

presented in partial fulfillment of the requirements

for the degree of

Master of Business Administration

The University of Montana

1996

Approved by:

Chairperson

Dean, Graduate School

1-29-96
Date
China’s path to create a “socialist economy” presents numerous business opportunities to the internationally minded entrepreneur. Economic trends suggest that China’s commercial activity, not political activity, is the principal criterion in the government’s establishment of market socialism. China’s market socialism encourages competition, individual initiative and entrepreneurs.

China’s means of encouraging competition, initiative and entrepreneurs may seem passive to the outside observer, but when comparing the present economic situation to the economic situation just after the 1989 Tiananmen incident, businesses now enjoy a relatively freer economy. Specific examples are public infrastructure developments, free trade zones, movement of labor, and general availability of goods.

These factors have spurred growth that has attracted businesses and business ideas from the international arena. Many of these businesses have been growing almost exponentially since 1990, as example, KFC franchises. In 1989 the first KFC opened in Beijing. Two stores opened the following year. By the end of 1993 there were eight KFC’s, and by the end of 1995 there are 15 KFC’s in Beijing alone. KFC is implementing similar growth strategies in at least a half-a-dozen other markets in China.

Not only has China’s economic boom generated numerous opportunities, but it has also created a plethora of managerial obstacles. New businesses that want to keep pace with China’s economy will have to do constant and careful planning, and be extremely creative.

This paper will give the reader a clear understanding of numerous aspects and challenges in creating and operating a small outdoor advertising manufacturing facility in China on a national scale.

The paper, presented in a business plan format, gives an executive summary and proceeds with a discussion of the company structure, history, and overall strategy. This is followed by a presentation of the products and services that the operation will offer to the Chinese market.

Thoroughly presented is a detailed discussion of supplies required for the efficient manufacture of outdoor advertising. Because the business operations are overseas and service an international market, complete overviews are provided of the Chinese economy, political environment and growth trends.

A presentation of current market structure and competitive content focuses on participants’ strengths, opportunities and growth potential. Further discussions include a comprehensive marketing strategy. Also examined in detail is the operation’s management structure. The financial section will display the operation’s current position, growth potential, and possible financial concerns. Exhibits will display projected balance sheets, cash flow statements, and ratio analysis, company mission statement, customer and employee policies, etc.
# TABLE OF CONTENTS

**Chapter One - The China Advertising Industry** .......................................................... 1  
  *China Overview* ........................................................................................................... 1  
  *The China Advertising Industry* .................................................................................. 3  
  *Barriers to Entry* .......................................................................................................... 5  
  *Competition* .................................................................................................................. 6  

**Chapter Two - Poly Advertising and Engineering** ...................................................... 11  
  *Poly Advertising and Engineering’s Business Problem* .............................................. 11  
  *Poly Advertising and Engineering’s Business Concept* ............................................. 12  
  *Poly Advertising & Engineering and its Overall strategy* .......................................... 12  
  *Products and Services* .................................................................................................. 15  
  *Poly’s Product Design* ................................................................................................ 16  
  *Suppliers* ..................................................................................................................... 19  
  *Poly’s Location - China* .............................................................................................. 21  
  *Poly’s Location - Beijing* ............................................................................................ 21  
  *Poly’s Headquarters* .................................................................................................... 22  
  *Poly’s Competitive outlook* ....................................................................................... 23  

**Chapter Three - Poly Advertising and Engineering’s Marketing Strategy** ............... 24  
  *Target Markets* .......................................................................................................... 24  
  *Customer Buying Process* ......................................................................................... 25  
  *Product Marketing* ...................................................................................................... 25  
  *Service Marketing* ...................................................................................................... 27  
  *Pricing* .......................................................................................................................... 28  
  *Packaging* ................................................................................................................... 29  
  *Customer Acquisition* ............................................................................................... 30  
  *Installed Base Development* ..................................................................................... 30  
  *Strategies to Maximize Revenue Per Customer* ......................................................... 31  
  *Channel Recruitment* .................................................................................................. 32  
  *Channel Development* ............................................................................................... 33  
  *Alliance Marketing* ..................................................................................................... 33  
  *Corporate Communications* ..................................................................................... 34  
  *Marketing Budget* ....................................................................................................... 35  

**Chapter Four - Operations Strategy** ............................................................................. 36  
  *Poly’s Operations Strategy* ......................................................................................... 36  
  *Management Team* ..................................................................................................... 38  
  *Risks and Concerns* ..................................................................................................... 40  
  *Financial Plan* ............................................................................................................ 41
Chapter Five - Conclusions .............................................................................................................. 47
Future Considerations ..................................................................................................................... 47
Summary ......................................................................................................................................... 49

Appendices .................................................................................................................................. 51
Appendix One: Financial Exhibits ................................................................................................... 51
Appendix Two: Corporation Documents .......................................................................................... 63
Appendix Three: Company Mission Statement .............................................................................. 71
Appendix Four: Location Maps, Photographs, Etc. ......................................................................... 73
Appendix Five: Reading List ............................................................................................................ 79
# LIST OF FIGURES AND TABLES

<table>
<thead>
<tr>
<th>Number</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1: Advertisement Spending 1979 to 1992</td>
<td>4</td>
</tr>
<tr>
<td>Figure 2: Large outdoor advertising companies in China</td>
<td>10</td>
</tr>
<tr>
<td>Figure 3: Flexible sign material diagram</td>
<td>16</td>
</tr>
<tr>
<td>Figure 4: Poly's lightbox construction</td>
<td>17</td>
</tr>
<tr>
<td>Figure 5: Poly's awning design</td>
<td>18</td>
</tr>
<tr>
<td>Figure 6: Waterproof awning building attachment</td>
<td>18</td>
</tr>
<tr>
<td>Figure 7: Poly's awning extrusion and frame joint designs</td>
<td>19</td>
</tr>
<tr>
<td>Figure 8: 1996 Sales incentive program</td>
<td>33</td>
</tr>
<tr>
<td>Figure 9: 1996 Marketing Budget</td>
<td>35</td>
</tr>
<tr>
<td>Figure 10: Poly's Human Resources Diagram</td>
<td>38</td>
</tr>
<tr>
<td>Figure 11: Balance Sheet comparison</td>
<td>42</td>
</tr>
<tr>
<td>Figure 12: Financial Ratio comparison</td>
<td>44</td>
</tr>
</tbody>
</table>
ACKNOWLEDGMENTS

The author wishes to thank everyone who helped me to complete my Master of Business Administration at the University of Montana:

My family, Dad, Mom, Tricia and Cristina for their moral, financial, and other undying support.

Dr. Maureen J. Fleming, Dr. Nader Shooshtari, Dr. Bruce Niendorf, Charles E. (Sam) Courtney and the many educators at the University of Montana who continue opening so many mental doors,

And most importantly, Mr. Cui Gui Sen. He is more than a teacher and entrepreneur, he is a great friend.
GLOSSARY

Throughout this business plan are terms and phrases that are technical in nature and are used in the outdoor advertising industry. I have tried to include most of these words and definitions here to assist the reader.

**KFC** - Kentucky Fried Chicken. An American franchised fast-food business. Owned by PepsiCo.

**RenMinBi** (RMB) - Chinese currency. Often referred to as Yuan.

**CAD/CAM/CAS** - Computer aided design, Computer aided manufacturing, Computer aided sign making.

**Plotter** (friction feed/vacuum feed) - A computer output peripheral that can draw or cut a digitally rendered image. Friction feed uses pressure above and below to feed the plotted substrate. Vacuum feed uses vacuum pressure to hold the plotted substrate to the cutting surface and to feed the substrate.

**Lightbox** - A cabinet that holds light bulbs, ballasts, wiring, and signfaces.

**Flexible sign material** - A flat rollable opaque or translucent substrate made of PVC coated polyester scrim.

**Ink Jet Printer** - A large format (five feet to five meters) computer driven four color printer. The printer uses oil based inks that will print on most flat rollable substrates (flexface). Color is warranted for outdoor exposure for two years.

**Vinyl Decoration** - A method of creating an image or logo using adhesive backed vinyl pieced together. Most vinyl will maintain its color and adhesive for a minimum of three years. Artwork is usually generated by a computer and plotted.

**Heat Transfer Decoration** - A method of applying an image to flexface where ink on paper is plotted, pieced together, then the ink is melted into the flexface by temperatures over 100 degrees Celsius.

**Heat Transfer Machine** (HTM) - A large infrared oven with a vacuum bed to hold pieced artwork in place.

**Extrusion** - Process where aluminum is pushed through a die to form into a usable shape.

**Plasticizer Migration** - Process where gas is emitted as polyvinylchloride ages.

**Polycarbonate** - A strong, impact plastic that is used in vacuum forming sign panels.

**Vacuum Formed sign face** - Process of using polycarbonate, a vacuum bed, a mold, and heat to give the sign face its shape.

**Adhesive backed vinyl** - A thin colored rolled PVC sheet with a durable adhesive on one side.
*Frontlit/backlit* - The position of the lighting on a sign. Frontlit implies materials are opaque (cheaper), and backlit implies translucent material construction (expensive).

*Menusystem* - A special lightbox used mainly in fast food outlets to inform customers of products and prices. Sign faces are usually easily changeable.

*Frameless Construction* - A method of constructing a backlit awning so that there are no visible frame shadows projected onto the inside of the translucent awning face.

*Topcoating* - A protective coating applied to the top of a sign face that keeps dirt and other airborne matter from adhering to the sign face.

*Delamination* - A process where adhesives fail (glue or heat) and material separation occurs.
Chapter One - The China Advertising Industry

To the business manager or investor unfamiliar with international business or the advertising industry, the operation of an overseas outdoor advertising company may seem complex and overwhelming. But when the variables that affect business operations are broken down into manageable areas, an international operation is no different from that of a well-run business that focuses on a small domestic market area. This business plan not only sets out to inform the reader of the factors that Poly Advertising and Engineering has considered in the decisions it has made to date, but also will plot Poly's short, medium and long term growth plans.

China Overview

To better understand the climate in which Poly Advertising and Engineering operates, the following is submitted to provide a current snapshot of factors that influence business operations in China. China's geography, environment, people, government, economy and other production variables as well as similar United States statistics are briefly summarized.

Geography
China is located in Eastern Asia, bordering the East China Sea, Korea Bay, Yellow Sea, and South China Sea, between North Korea and Vietnam. China covers a total area of 9,596,960 square kilometers, an area slightly larger than the United States of America.

China is rich in natural resources. These resources include coal, iron ore, petroleum, mercury, tin, tungsten, antimony, manganese, molybdenum, vanadium, magnetite, aluminum, lead, zinc, uranium, and hydropower potential (world's largest). Ten percent of China's land is arable (US arable land - 20%).

Environment
China's economic growth and huge population have given birth to concerns about China's physical environment. Air pollution from the overwhelming use of high-sulfur coal is common in most cities. China uses coal to produce electricity. The coal fires, in turn, produce acid rain that damage China's forests. Wide spread water shortages occur throughout the country. The water that is available is usually polluted by industrial effluents. Typhoons, floods, earthquakes and droughts are all common in China.

People
The estimated July 1995 population in China was 1,203,097,268 people (US population 263,814,032). Twenty-six percent are under the age of 14 (US - 22%), 67% of the

---

2 See Appendix 4: Map 1.
population are between the ages of 15 and 64 (US - 72%), and the remaining seven percent of the population are over the age of 65 (US - 13%). Approximately 48% of the Chinese population are female (US - 51%). Seventy-eight percent of the population can read and write mandarin Chinese (96% of Americans can read and write English).

Government
China maintains a single party Communist form of government based in Beijing. The administration of the country is dispersed into administrative divisions: 23 provinces, 5 autonomous regions, and 3 municipalities. It is important to note that China considers Taiwan its 23rd province. The Chinese legal system is a complex mixture of customs and statute law. Criminal law and a rudimentary civil code prevail. Continuing efforts are being made to improve civil, administrative, criminal, and commercial law.

The Executive branch is headed by President Jiang Zemin (since March 27, 1993); Vice President Rong Yiren (since March 27, 1993). The last election was held March 27, 1993 and the next election is to be held in 1998. The National People's Congress is headed by Premier Li Peng (1987), Vice Premier Zhu Rongji (1991), Vice Premier Zou Jiajua(1991), Vice Premier Qian Qichen (1993), vice Premier Li Lanqing (1993), Vice Premier Wu Bangguo (1995), and Vice Premier Jiang Chuyun (1995).

Economy
In late 1978, the Chinese leadership moved the Chinese economy from the sluggish Soviet-style centrally planned economy to a more productive and flexible economy that included market elements, but still within the framework of monolithic Communist control. To this end the authorities switched to a system of household responsibility in agriculture in place of the old collectivization, increased the authority of local officials and plant managers in industry, permitted a wide variety of small-scale enterprise in services and light manufacturing, and opened the economy to increased foreign trade and investment. The result has been a strong surge in production, particularly in agriculture. Industry also has posted major gains, especially in coastal areas near Hong Kong and opposite Taiwan, where foreign investment and modern production methods have helped spur production of both domestic and export goods. Aggregate output has more than doubled since 1978.

On the darker side, the leadership has often experienced in its hybrid system the worst results of socialism (bureaucracy, lethargy, corruption) and of capitalism (windfall gains and increases in inflation). Beijing thus has periodically backtracked, retightening central controls at intervals. In late 1993 China's leadership approved additional long-term reforms aimed at giving more play to market-oriented institutions and at strengthening the center's control over the financial system. In 1994 strong growth continued in the widening market-oriented areas of the economy. At the same time, the government struggled to (a) collect revenues due from provinces, businesses, and
individuals; (b) keep inflation within bounds; (c) reduce extortion and other economic crimes; and (d) keep afloat the large state-owned enterprises, most of which had not participated in the vigorous expansion of the economy. From 60 to 100 million surplus rural workers are adrift between the villages and the cities, many barely subsisting through part-time low-pay jobs. Popular resistance, changes in central policy, and loss of authority by rural cadres have weakened China's population control program, which is essential to the nation's long-term economic viability. Long-term economic viability of China requires that China be able to feed itself and provide input materials for its developing industries. Not only does the majority of China's food and mineral production reside in rural China, but so does the majority of the Chinese population.

A dangerous long-term threat to continued rapid economic growth is the deterioration in the environment, notably air pollution, soil erosion, and the steady fall of the water table especially in the north.

China's gross domestic product in 1994 was US$ 3,100 billion (US - $6,738.4 billion) up approximately 11 percent from the previous year (US - approximately 6%). Chinese GDP per capita is US$2,500 (US - $24,700). Chinese inflation (consumer prices) increased 25.5% in 1994 (US - 2.6%). Chinese unemployment is approximately three percent (US - 6.1%).

Other key variables

China's electricity production in 1994 was 746 billion kWh (US - 3,230 billion kWh). Rail transportation is carried over 65,780 track kilometers (US - 219,000 track kilometers). China currently maintains approximately 4.7 million commercial vehicles (US - 46 million vehicles). Ninety-four Chinese airports have regularly scheduled flights (US - 843 airports). China has one telephone for every seventy-seven people (US - 1:1.3), one television for every thirty-two people (US - 1:1.2), and one radio for every six people (US - 1:0.5).

The China Advertising Industry

Like many things in China, advertising has a long history. The roots of advertising date back more than 2,000 years. Although many of these forms of early advertising were not really advertising in the current sense, these early promotions did include trade fairs, street hawking and merchandise displays as well as general sign boards, brochures and printing on wrappers. Modern mass media Chinese advertising, however, began in 1872 when an advertisement for eye drops appeared in the May 6th issue of the Shun Pao (a Shanghai Daily newspaper).

---

6 Big. (April 13, 1995) The Economist, p 78.
Chinese outdoor advertising has made many transformations, throughout its 2000 years, and from 1949 to 1978, three important factors hindered Chinese advertising. First, advertising was seen as capitalist in nature. Second, advertising hindered the States effectiveness in propaganda issuance. And lastly, the planned economy focused on the development of heavy industry, industries usually find advertising unnecessary. But the 1979 economic reforms, initiated by Deng Xiao Ping, brought a major revision in the advertising industry. Early in 1979, a party editorial stated that advertising would help promote trade and earn foreign exchange. This led to increases in consumer spending and foreign investment, therefore the advertising industry once again grew in importance.

The Xinhua News Agency stated in July of 1993 that ad spending from 1979 to 1992 significantly increased (see figure 1). The Chinese advertising industry as a whole is still in an immature stage, and it still shows great promise for double digit annual growth into the next decade.

Because of expected continued growth and competition, advertising in China will continue to present many challenges for advertisers. For instance, as China develops and incomes increase, markets will bloom. Growth will bring increased competition too. So, there is much to be said in favor of establishing relationships within the China market early. The Chinese value loyalty and support those who have suffered with them. This business concept supports the culture-valued process that weaves together the Chinese idea of mianzi (face) and guanxi (relationship building).

Within the advertising industry, there are intricacies that exist in the threefold relationship among the advertisers, the agencies and the media. Conflicts or

---

8 Newspaper Advertising 's Growing Field (July 22, 1993). Xinhua News Agency
disharmonies of interests exist among these parties but they are particularly strong between the agencies and the media. The conflicts arise out of mianzi and guanxi. Chinese are constantly building their reputations by using their relationships. In cases where the reputation and/or relationship is unsupported in terms of actual production capability, problems such as misplacing advertisements, poor creativity and lack of loyalty towards advertisers can arise.

Uncertainty regarding the roles of advertising agencies also create problems. Most Chinese agencies lack full service facilities and skilled personnel. It is also a major challenge for agencies to keep their share of a greatly expanding advertising business. Additionally, there is some confusion by consumers of advertising products as to the different services that advertising companies provide.

Advertising is comprised of several services and products and most companies offer only a small subset of these services and products. Advertising services are usually creative in nature. For example, creation of a logo, sales promotion, or writing a television commercial are creative services that an agency may provide. Products, on the other hand, support creative services by providing production of the creative concept.

Additionally, there are different advertising media and each media requires specific creative and production skills. Broadcast media is traditionally made up of television and radio, whereas print media covers anything from newspapers, to magazines, to billboards or outdoor advertising.

A key factor in the continued prosperity of the Chinese economy will be attributed to effective advertising. Prosperity in the Chinese market will require patience and loyalty. It will entail large measures of understanding. It will demand creativity. Marketing in China must be based on a sensitivity to the specific needs of this culture within the context of a complex business structure. As most Chinese business managers know, the challenges and potential are great.

**Barriers to Entry**

All industries have barriers that inhibit the number of firms that participate in that market. The China outdoor advertising industry's barriers to entry include, expensive start up costs, procurement of technology and design information, economies of scale, learning curve effects, and government regulations.

Start-up costs are high in China for the Chinese firm because Chinese made advertising materials are rare and are of inferior quality. Imported materials are expensive and not widely available. Most Chinese companies cannot maintain inventories due to insufficient hard currency to purchase sizable inventories to service a large market with
Poly Advertising and Engineering: A Business Plan

Demanding clients. Adequate warehouse space is at a premium in most major Chinese cities. Start-up costs are prohibitive for the foreign firm due to office, warehouse, and housing costs for expatriates. Proper sign and awning construction require industry specific tooling. Currently, the industry specific tools are not being made in China and must be imported. Importation requires substantial hard currency.

Procurement of technology and design information is also a barrier to entry in the China outdoor advertising market due to language barriers. Education on use of the above tooling requires use of new materials, computers, and industry specific machinery. All documentation and manuals are written in English. For the most part, neither foreign nor Chinese design and manufacturing personnel have the communication skills necessary to transfer the necessary manufacturing abilities. Therefore translators must be sourced and are costly for the foreign firm as well as the Chinese firm.

The learning curve effect affects the barriers to entry. Companies that perform production duties over a prolonged period will become more efficient. Therefore, companies that have been competing in the China outdoor advertising market since the Tiananmen Square Incident could have a competitive advantage.

The largest barrier to entry in China’s outdoor advertising market is China’s governmental regulations. Because China maintains a communist planned economy, Chinese customs officials sporadically regulate goods entering China. Businesses prefer consistency in delivery of goods to allow for efficient inventory control and manufacturing operations. The Chinese government has yet to eliminate erratic customs duties, making it difficult for companies to adhere to budgets and consistent schedules.

Competition

Currently, there are over 3,000 advertising/decoration companies listed with the Beijing Municipal Government, but very few of these Beijing companies are importing their own materials on a regular basis and most lack proper equipment and tooling to assemble franchise approved signage.

The major Chinese outdoor advertising companies that provide service to large foreign companies are: Jasper Art from Singapore, Millionaire Designs from Hong Kong, Poly Advertising and Engineering from Beijing, Pro Media from Nanjing, and Malaysian Advertising (No official English name). These companies compete for the largest outdoor advertising projects in China.
Jasper Art. Jasper Art first entered the Chinese market by producing the signage for the world’s largest KFC store in Beijing in 1990. Jasper manufactures all of its products at Jasper Art’s Headquarters in Singapore. Singapore also maintains KFC’s Asia Headquarters. However, China’s growth and cultural acceptance of KFC has led to KFC’s establishment of a national office in Shanghai. All construction, marketing, and sourcing for KFC China is currently managed by this Shanghai office. As a result Jasper has set up a joint venture operation in Suzhou (100 kilometers from Shanghai) to service the China market.

Jasper’s new facility will begin production in 1996 in a 4000 square meter facility outside Suzhou. The facility has adequate storage capability but current inventory is estimated to be very small, less than US$ 10,000. Jasper currently uses US manufactured input materials, namely Miliken, John Boyle, and in 1996 will begin using Signetech’s products. All of Jasper’s lightboxes and awning frames use steel construction. All signfaces are produced using hand cut adhesive backed vinyl applied to a flexible signface substrate. Currently, Jasper does not use computer software to layout and render logos and graphics.

For its China operations, Jasper Art employs approximately 40 national Chinese and uses three to five Singapore nationals, depending on the production volume. Because of the use of imported labor, taxation on joint ventures, and mediocre customs and transportation connections in China, Jasper’s pricing strategy is in the industry’s upper quartile.

In general, Jasper’s advantages in its China operations are its sources of foreign capital, ability to convert RenMinBi into hard currency (joint venture status), and its purchasing power with suppliers due to lump purchases for the Singapore and China markets. Finally, Jasper has over ten years of experience in the Singapore sign industry (which includes Singapore and Asia KFC) and can draw on those experiences to educate their China employees.

Jasper’s disadvantages include lack of knowledge about the China market (including customs, transportation and in-country sourcing), and poor employee unity due to focus on short-term profitability and repatriation of funds. Joint venture tax rates are higher. Jasper uses cheap, low technology production methods and offers no warranties on products installed in China.

Millionaire Designs. Millionaire Designs enters the China market through a small joint venture office in Guangzhou. Millionaire produces for the Chinese market in its Hong Kong production facilities. Millionaire also maintains excellent contacts in Hong Kong, where numerous international companies maintain offices. Millionaire has been
producing for the south China market for over fifteen years, but maintains only limited installation facilities in Guangdong.

The Hong Kong factory maintains 500 square meters of floor space and keeps approximately US$ 50,000 inventory of Cooley, Signtech, Ultralon, and 3M sign materials.

Millionaire uses industry specific sign layout software. For ink jet printing Millionaire uses Vutek’s scanning and color calibration installed on an 486 IBM clone interfaced to a five meter Vutek four color ink jet printer. For vinyl cutting a DOS Taiwanese CAD/CAM software is used and plotted on a friction fed five foot plotter.

Millionaire’s Hong Kong operations maintain twenty full time employees and Millionaire’s pricing strategy is in the middle quartiles.

Company advantages are its educated work force in Hong Kong, its Cantonese communication abilities, transportation in and out of Hong Kong, years of lightbox manufacturing experience, access to foreign capital and knowledge of ink jet printing.

Millionaire’s disadvantages in the China market include lack of knowledge about the China market (apart from Guangdong), exchange of currency (Millionaire prefers to be paid in hard currency), no experience in awning manufacturing, and use of expensive Hong Kong labor.

Pro Media. Pro Media is a Nanjing based joint venture established in 1994. The joint venture is managed by Taiwanese immigrant Americans. The manufacturing facility is 170 square meters in size with a US$ 30,000 inventory of mainly Signtech materials. An imported CAD/CAM sign software package is employed. All inventory functions are done manually. Pro Media has twenty full time employees.

Pro Media’s pricing strategy is in the lowest quartile of the Chinese outdoor advertising industry.

Pro Media’s company advantages are price, and availability of foreign capital.

Pro Media’s company disadvantages are inexperience, poor transportation infrastructure, inconsistency in production quality, and inadequate human resources (marketing and production).

The Malaysian Advertising Company. The Malaysian Advertising Company was formed in the Spring of 1995 in Beijing. The company has a 500 square meter factory
that houses a very large US$150,000 inventory that consists of mainly Signtech products.

A Chinese produced graphic art program is used to plot artwork. Plotted artwork is then cut by hand. The inventory is not maintained on a computer, it is tracked manually.

The Malaysian Advertising company employs 45 people and maintains a middle level pricing strategy.

The company's advantages are large inventory, availability of capital, and outdoor advertising experience (Malaysian).

The company's disadvantages in the China market include lack of knowledge about the China, no experience in awning manufacturing, joint venture taxation, and poor employee unity.

**Poly Advertising and Engineering.** Poly Advertising and Engineering was established in Beijing in 1992. Currently, Poly employs 40 people and maintains 1200 square meters of total floor space and an option to expand into an adjoining 1200 square meter facility. Poly retains a US$ 60,000 inventory of imported and domestically produced goods.

Poly uses an industry leading US manufactured Chinese Microsoft CAD/CAM sign software and Microsoft Chinese Office for all administrative functions. A five foot friction fed plotter is employed to render all artwork.

Poly’s pricing is average when compared to the industry.

Poly’s China business advantages are homogeneous Chinese work force, low labor costs, lower taxation costs (income and customs), China market knowledge, wide product lines, and timely, thorough service.

Poly’s disadvantage is convertibility of Chinese funds into hard currency.
### Figure 2: Large outdoor advertising companies in China

<table>
<thead>
<tr>
<th></th>
<th>Jasper Art</th>
<th>Millionaire Designs</th>
<th>Poly Advertising</th>
<th>Pro Media Advertising</th>
<th>Malay Advertising</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Location</strong></td>
<td>Suzhou</td>
<td>Guangzhou</td>
<td>Beijing</td>
<td>Nanjing</td>
<td>Beijing</td>
</tr>
<tr>
<td><strong>Total m²</strong></td>
<td>4000 m²</td>
<td>500 m²</td>
<td>1200 m²</td>
<td>170 m²</td>
<td>500 m²</td>
</tr>
<tr>
<td><strong>Size of</strong></td>
<td>US$10,000*</td>
<td>US$ 50,000</td>
<td>US$ 60,000</td>
<td>US$ 30,000</td>
<td>US$150,000</td>
</tr>
<tr>
<td><strong>Inventory</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Materials</strong></td>
<td>A,B,C,D,E</td>
<td>C,D,E</td>
<td>C,D,E</td>
<td>C</td>
<td>C</td>
</tr>
<tr>
<td><strong>Used Frame</strong></td>
<td>Steel, Iron</td>
<td>Steel, Iron, Aluminum</td>
<td>Steel, Iron</td>
<td>Steel, Iron</td>
<td>None</td>
</tr>
<tr>
<td><strong>Materials # of</strong></td>
<td>50</td>
<td>20</td>
<td>40</td>
<td>20</td>
<td>45</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td>JV</td>
<td>JV</td>
<td>Chinese</td>
<td>JV</td>
<td>JV</td>
</tr>
<tr>
<td><strong>Pricing</strong></td>
<td>Hi</td>
<td>Mid</td>
<td>Mid</td>
<td>Lo</td>
<td>Lo</td>
</tr>
</tbody>
</table>

Key: * = facility not operational at time of publication
- A = Miliken
- B = John Boyle
- C = Signotech
- D = 3M
- E = Ultralon
Chapter Two - Poly Advertising and Engineering

Poly Advertising and Engineering's Business Problem

By foreign standards, Chinese corporate professionalism is still in a steep portion of the learning curve. Foreign corporations are moving into the Chinese market to take advantage of increasing opportunities and find that efficient support services, such as human resources training, transportation, and advertising are unreliable, inconsistent, expensive and slow. Many companies still source services and materials from other surrounding countries in Asia, for example Hong Kong, Taiwan, Singapore, Australia, etc. Sourcing materials and services from these markets eases the problems of quality but not cost and timeliness. Costliness arises because of high tariffs and government corruption within Chinese customs facilities. In the case of imported labor, food and accommodations that suit foreign labor are substantially higher than can be found domestically. Timeliness is a frequent factor when transacting in China. Delays due to transportation, governmental process, and communication should be expected.

In 1992, Kentucky Fried Chicken, in the midst of an aggressive China market expansion was sourcing its store signage needs from vendors in Hong Kong and Singapore. The opportunity for project mishaps were high due to distance, and poor communication between KFC, KFC’s architects (seven firms) and the vendors.

KFC’s standard procedure in China is to acquire a building, and remodel that building to KFC International’s Franchise Standard’s Manual. A foreign architectural firm usually renders the new drawings. The architect may or may not actually visit the actual site.

The drawings are then distributed for bid by the area General Manager. It is the contractors' responsibility to meet KFC International’s Corporate Standards. In most cases, the contractor would visit the site location to inspect accuracy in drawings and determine any special project considerations. This trip significantly adds to the cost and time of the project because China travel is expensive for foreigners and is cumbersome.

The cost of producing KFC International Signage outside of China and importing finished product, then importing labor to install the signage was a significant cost to operational start-up. End prices were two to three times the North American price. Additionally, product made in Asia with North American materials were not equivalent in quality and the labor imported to China were unmotivated to provide adequate service.

Then in 1993, the Hong Kong supplier chose to no longer pursue the KFC contracts, leaving KFC with only one very expensive Singapore supplier. The management of
KFC was looking for a long term solution to their signage problems. Poly Advertising and Engineering has grown as a result of satisfying this need.

Poly Advertising and Engineering’s Business Concept

Poly’s has grown into a company that can make large international franchised corporate standard signage within China and install the finished goods using domestic labor. The company offers quality signage that uses international franchise approved materials that carry warranties on all materials and workmanship. The company also offers timely, competitively priced products. Poly will continue to meet its clients’ demands by extending its services and product lines. For example, in 1996 Poly will start installing children’s playgrounds in fast food outlets as per client demand; and at the end of 1996 if sales projections hold true, Poly plans to buy a polycarbonate-vacuum forming machine to service its customers demands; and finally in the winter of 1997, if demand warrants, Poly would like to enter the China billboard production industry.

Poly Advertising & Engineering and its Overall strategy

Poly Advertising is a Chinese corporation formally established in 1992. Poly markets, designs, manufacturers, and installs numerous types of outdoor signage. The company targets large domestic and foreign franchises, as well as high profile companies in China.

Poly competes in a national advertising industry that has over 16,000 agencies that generate sales volume in excess of 16.5 billion Yuan (US$ 2 billion). Government policy, the international business world’s infatuation with China, and current domestic growth, will drive expansion for at least the next three years. Therefore, Poly’s management feels that with proper strategy, its gross sales will, at a minimum, match the industry’s pace for the next three years.

Poly Advertising maintains its administrative headquarters near Beijing’s city center at 9 West Chongwenmen Street and a factory building acquired in the summer of 1995. The facility lies 30 kilometers (18.6 miles) to the east of Beijing, near the recently constructed Tianjin/Beijing controlled access highway.

The administrative headquarters is in an ideal location as it sits on a major east/west thoroughfare, is a two minute walk from the nearest subway station, is a five minute walk to all major federal, province, and city government buildings, is a five minute car ride to embassy compounds and international office complexes.

---

13 (See Appendix Six --Map 2)
14 (See Appendix Six --Map 3)
Poly’s management feels that Beijing is an ideal location for its headquarters. Beijing has an abundant
of reputable universities and technical schools to draw employees. Beijing has a relatively developed in-
frastucture, arguably the best in China. All reputable international companies maintain large offices in
Beijing. Beijing’s population density is less than the other major trade centers of China (Shanghai and
Guangzhou), which translates to relative availability of property for the purpose of plant/office
expansion as well as client expansion. Finally, because Beijing is the nation’s capital the available
of air, train, truck, sea, and car transportation are among the best in China.

Poly Advertising and Engineering has been in the flexible sign face outdoor sign
manufacturing industry for three and a half years, longer than any signage company
recognized by the Chinese government\textsuperscript{15}. Poly’s management Understands the Chinese
market and recognizes the opportunities and risks that exist. To minimize risks and
capitalize on opportunities, Poly will continue to offer services that are currently
unoffered by its competitors to its already established reputable client base. Basic
services include warranties, regular product maintenance, inventory of franchise colors,
artwork, and specified materials, and service minded personnel throughout the
organization. Additionally, Poly introduced a program to track customer satisfaction,
and project resource maximization in the summer of 1995.

The customer satisfaction survey consists of a final inspection of the newly constructed
project where training is provided to each client on how Poly manufactured the product
including explanation of the use of materials and surface preparations. Training on how
to properly clean and change light bulbs are also thoroughly covered. Upon training
completion an interview is conducted where a survey is completed.

Upon completion of the survey Poly’s Limited Warranty is enacted. The warranty
covers all materials used in construction and warrants against manufacturing defects on
a pro-rated basis for a period up to seven years\textsuperscript{16}.

Poly has identified three categories of clients to market the design, implementation and
servicing of signage: large franchises, advertising agencies, and architects. Large
franchises such as KFC, Carvel, Baskin Robbins, and McDonald’s are the biggest
consumers of Poly’s products, but as the advertising field grows, and increasing number
of domestic and international companies that previously managed their own
advertising, will use an ad agency or an architect to design an image or logo. Poly’s
management feels that the business that is interested in building a market identity will
use these proven means to establish and maintain image. Focusing on servicing these
type clients will ensure profitability through optimal product turnover.

\textsuperscript{15} See Appendix Two, Corporate Documents
\textsuperscript{16} See Appendix Two: Corporate Documents - Poly’s Limited Warranty
Poly Advertising and Engineering would like to expand its ability to provide premier service at competitive prices. This will be done through the implementation of dedicated office administration. Office administration will maintain Poly's growing data base of customers and products in use. This will allow Poly to extend their product line to include cleaning, maintenance, and comprehensive service contracts.

The primary advantages of Poly Advertising and Engineering are:

1) Knowledgeable Service Minded personnel throughout the organization (Attitude)
2) Experience, time in the industry, name recognition
3) Location
4) Low overhead
5) Computerized customer data base, accounting, billing and inventory control
6) Quality manufacturing with reputable input materials
7) Growing economy and client base
8) Environmentally conscious

Poly Advertising and Engineering grew from a subcontractor role into a contractor position in 1992. The company got its start doing subcontracted labor for NewTrend Promotions, a Hong Kong based company that produced signage for some of KFC China's earliest locations. Cui Gui Sen, the company founder, had five laborers that were producing backlit signage that used imported and domestic materials. The imported materials Mr. Cui bought were via NewTrend's parent company, Supreme Enterprises.

In 1992, Mr. Cui established one of the first privately owned Chinese companies and shortly thereafter constructed the first flexible signface sign made entirely with mainland Chinese labor. Previously, signfaces and lightboxes were made in Hong Kong, Singapore, Japan or the United States.

Currently, Mr. Cui employs 40 people. Twelve employees are in administrative and marketing and the manufacturing plant carries twenty-eight employees that work in teams. In the next two years Poly hopes to add a new materials marketing division that will employ three to five people. Additionally, the management at Poly feels that the existing marketing personnel need to specialize into industries and products. For instance fast food product needs require different manufacturing, marketing and installation skills than petroleum companies' signage needs.

The manufacturing facility acquired in the summer of 1995 will allow Poly to expand and refine its production capabilities. The 1,200 square meter facility not only houses the latest in sign making automation, it also supplies all workers a place to eat, sleep,
shower, laundry, and study. Poly feels that its people are its most valued asset, and treats them accordingly.

Poly also holds an option to expand its facility by another 1,200 square meters on to an adjoining property.

Products and Services

The primary service that Poly Advertising and Engineering offers is the design, manufacture, and installation of premium outdoor backlit signs and awnings. Poly offers premium service, competitive prices coupled with quick response times that allow Poly’s clients to protect their tangible image. Poly is in the business of visual marketing, providing fine craftsmanship and reputable input materials that meets client’s signage needs by providing them a peerless visual identity, thus enhancing client images to customers and stakeholders.

Poly believes in “doing it right the first time.” This is possible because Poly’s manufacturing facility maintains well-trained personnel who operate the finest and latest equipment in the industry. Poly uses only proven, reputable, warranted materials in manufacturing.

Poly specializes in the manufacture of franchise signage. Specifically, franchises that have the resources necessary to pursue a nation-wide marketing strategy. Examples of franchises in China are KFC, Pizza Hut, Baskin Robbins, Dunkin’ Donuts, Exxon (ESSO), McDonald’s, etc.

Prices vary depending on location, architect recommendations and franchise requirements. Typical clients recognize the importance of return on investment buying. Therefore, use of premium input materials and after-sale service are paramount. All manufactured goods must carry a minimum, five year warranty.

A brief product list includes:
- Aluminum Frames and Cabinets
- Steel Frames and Cabinets
- Flexible Signfaces
- Rigid Faces (Flat and Formed)
- Ink jet, four color graphic decorated signface
- Vinyl Decoration
- Heat Transferred Decoration
- Awnings
- Custom Signs
Poly Advertising and Engineering: A Business Plan

Poly’s Product Design

Poly has spent considerable effort in designing and improving their signface/awning face, light box and awning manufacturing processes to meet international franchise identity standards. Superior products begin with quality input materials. Poly believes that flexible signfaces offer better performance at competitive prices when compared to rigid sign faces.

The advantages that flexible sign faces offer are:
- Flexible sign material is virtually unbreakable
- Flexible sign material does not generate static electricity that attracts dirt
- Flexible sign material is lighter than rigid sign material
- Flexible sign material maintains its color better than rigid material
- Flexible sign material can be seamed to produce any size signface

Some considerations must be accounted for when manufacturing signs made with flexible sign material:
- Flexible sign material becomes more porous with time, dirt can reside in the holes
- Flexible sign material uses polyvinylchloride (PVC). A percentage of PVC plasticizers turn to an oily gas that can attract dirt
- The oily gas can dissolve adhesives

Figure 3: Flexible sign material diagram
The flexible sign material when it is new is less porous than when old. The very small holes in the material surface expand with age. As the material ages, the holes expand and a gas is released from within the material to the surface of the material (called plasticizer migration). This gas moves to the sign surface and causes small bubbles in the applied graphics. Eventually this gas will eat or cause problems with the adhesive that holds the graphic to the flexible sign material.

This problem is solved by 1) not using any adhesives and 2) Sealing the top surface so that the expanding pores do not affect the outside graphic.

Heat Transferred graphics or silk screening do not use adhesives, consequently, no bubbles are produced and there are no adhesives to fail. The use of a top coating (Tedlar, a material made by DuPont) has no pores, and no solvents naturally exist that will break down this material, therefore the surface of the sign and the graphic is protected for prolonged periods.

Poly has spent an equal amount of time in the design and manufacture of their lightboxes. To maintain structural integrity and waterproofness, large numbers of parts, creases, cracks, and seams are avoided in manufacturing. This is to give dirt, dust, pollution no place to reside. Therefore, Poly’s sign systems always maintain a clean, professional look.

Furthermore, Poly only uses aluminum, and stainless steel materials in the manufacture of Awnings and Signs. This is because iron and steel will produce rust in China’s harsh climate. Rust discolors lightbox finishes and sign faces.

Poly’s lightboxes are manufactured to allow for easy maintenance of light bulbs and sign face replacement. The signface is hinged and simply opens to allow access to the interior of the lightbox.

Figure 4: Poly’s Lightbox construction.
Awning construction is similar to Poly's lightboxes. Only materials that will never rust are used. The fewest number of pieces are used to minimize dirt collection areas, maintain waterproofness and minimize light leaks. Serviceability is a factor in construction and design. Therefore, the bottom side of the awning is hinged for bulb access. A stainless steel staple is used to fasten the awning face to the aluminum extrusion. This process allows for easy replacement of the awning face. Single piece awnings can be constructed up to 12 meters in length. Awnings over 12 meters must be broken into multiple piece constructions. In these cases a joining strip is used.

**Figure 5: Poly's awning design**
Suppliers

Currently Poly buys materials and finished products from the following companies (listed in terms of annual purchases):

Signtech USA, Inc.
Signtech is a San Antonio based firm that has been in existence for over 15 years. Signtech’s materials are specified by numerous large franchises at the material of choice in manufacturing of signfaces and awnings. Their main product line is a tough translucent polyvinylchloride coated polyester scrim (Flexface) that is used as a base material in the manufacture of sign and awning faces. Signtech also produces inks and adhesive backed vinyl used for decorating logos onto signfaces. Additionally, Signtech also distributes machinery that aid in the manufacture of signage, such as large vacuum-bed heat ovens used for melting graphics into signfaces, radio frequency seaming machines used for welding Flexface into very large panels, and large format ink-jet printers.

Wolfe Merchandising
Wolfe is based out of Toronto, Canada. Wolfe’s produces a high quality illuminated menuboard system that is specified by KFC. In addition to the menuboard system, Wolfe also produces four color promotional picture inserts for their menusystems.

American Ballast Company
ABC is an American-Chinese joint venture based outside of Beijing. They produce an affordable UL approved, high output, five year warranted 230v ballast.
Beijing Aluminum
Beijing Aluminum extrudes aluminum into shapes that Poly uses for lightbox and awning frame construction.

Sylvania (China), Inc., Phillips, and General Electric
Poly sources its fluorescent tubes and sockets directly from these manufacturers.

Persona Inc.
Persona is a Watertown, South Dakota based sign manufacturer. Poly uses Persona to manufacture vacuum formed signfaces.

ESCO, Inc.
Esco is also a Watertown, South Dakota based sign manufacturer that Poly uses to manufacture vacuum formed signfaces.

Impac Images, Inc.
Impac is a Salt Lake City based company that specializes in very large format ink jet prints for use on billboards and fleet graphics.

SunGraphic, Inc.
SunGraphics is a New York City based company that specializes in ink jet printing.

Ultraflex Systems Co.
Ultraflex is a Denver based company that sell the widest (5m) flexible signface material available in the world.

Spartan Inc.
Spartan is a Seattle based firm that produces electric and gasoline powered pressure washers used to clean and maintain signfaces.

DuPont (China)
Poly buys its paint and materials treatment coatings and coating equipment from this established reputable company.

Onmi Incorporated
Omni is owned by the Little Tykes division of Rubbermaid. They are a major producer of playgrounds that fit into franchised food outlets.

Lawrence Incorporated
Lawrence manufacturers retractable customer flow barriers that aid in directing consumer traffic through a business.
Poly’s Location - China

Size alone makes China an important member of the world community. It is well known that China possesses the world’s largest population. China also has a great wealth of mineral and natural resources. These resources will provide China with a solid foundation for rapid industrial growth.

Poly’s service area includes all of China. The pertinent areas of China are cities over two million people. Justification of these numbers are due to major franchises’ marketing plans. Poly will be in all markets that its clients deem necessary. The overall Chinese economy (GDP) has been growing at double digit rates in the nineties and is expected to maintain near double digit growth for the next three years. China is a good place to do business as there is an unlimited potential for growth in nearly every sector. Tapping into the foreign owned franchise business is especially lucrative because of the special needs and services they require is not readily available from established Chinese companies.

Poly’s Location - Beijing

Beijing is the political and administrative center of China and is a major industrial city as well. Beijing is one of three Chinese cities designated as a special, or national, municipality. As the national capital, it is China's second largest city in terms of population and its largest in administrative territory.

Beijing has a climate that is largely continental with warm summers and long, cold, dry winters. Precipitation averages 25 inches (64 centimeters) per year. Most of the rainfall occurs in the months of June, July, and August. This is Poly’s busiest season. Compared to China’s other large cities the building and population densities in Beijing are low. For example, the density of the municipality’s in the early 1990s averaged about 1,670 people per square mile (644 per square kilometer). By Western standards this is high, but Shanghai had a comparable figure of 108,400 per square mile (41,850 per square kilometers).

Beijing is a crowning achievement of the Chinese style of architecture and city planning. Making it the jewel of all transportation infrastructures in China. Therefore, Beijing is one of North China’s major transportation centers. Five main rail lines link the city with other major regions of China. Accessibility to the rest of the country by rail is one of the city’s main advantages. Beijing’s large, busy airport is served by both international and domestic carriers. In late 1987 the Beijing subway system was opened.

---

This is the oldest, most developed subway system in China, and as traffic congestion increases in the Beijing municipality it will be expanded. Currently, a new line is under construction that will terminate less than 5 kilometers from Poly's manufacturing facility. The city is located 100 kilometers from the nearest sea port, Tianjin. Internally, five ring roads have been constructed within Beijing to facilitate the flow of traffic.

Poly's Headquarters

Poly maintains its administrative headquarters and marketing office at Number 9, West Chongwenmen Street, Beijing, China (see Map Index). The location sits in the former Belgian Embassy compound. The five rooms total 2000 square feet on the first floor of building four. Poly will continue its operations in this facility for the next three years. The site offers numerous advantages:

- Located at a major north-south-east-west intersection
- Close proximity to major international office complexes
- Close proximity to public transportation (bus and subway)
- Close proximity to all governmental offices
- Attractive grounds and meeting areas
- 24 hour security
- Affordable
- Good telecommunications infrastructure
- Fully staffed cafeteria
- Private parking

Poly's Manufacturing Facility

In the spring of 1995 Poly acquired a 1200 square meter compound, 20 kilometers from Beijing's city center. The facility has unmatched manufacturing capability in China's sign industry. Poly will operate and expand its manufacturing in this facility in the present location. The facility offers the following advantages:

- Located five kilometers from a new four lane controlled access Tianjin-Beijing freeway.
- Living quarters for twenty workers, including laundry, showers and cafeteria.
- Unlimited electrical power supply (320v, three-phase, 100+ amp).
- Clean, environmentally controlled atmosphere.
- Ample room for expansion.
- New equipment (Heliarc welders, Heat Transfer machine, computer aided sign design system and plotter, imported tools, etc.).
- Adequate storage facilities
- Recycling/Environmentally conscious

---

18 see Appendix Six: Map Two
19 see Appendix Six - Map Three
Poly’s Competitive outlook

Poly anticipates that its competitors will grow in plant capacity and product lines during the next few years. Jasper Art will have to make its new facility fully operational if they are to continue servicing the China market.

Poly will monitor the industry and make aggressive changes to Poly’s strategy if Poly’s competitors allow them the opportunity to do so. The Chinese outdoor advertising industry is a dynamic and ever-changing environment and Poly intends to meet the challenges presented and make changes that will lead the industry rather than merely react to changes.

In addition Poly Advertising and Engineering has three additional advantages over its competitors.

1. Seasoned Management Team. Poly’s all mainland Chinese management team is unmatched in experience in the dynamic and ever-changing China market. With this management team, Poly Advertising and Engineering can expect to follow its corporate strategies that make the company the industry leader.

2. Technology Leader. Poly Advertising and Engineering was the first company in the industry to bring new innovative products such as Heat Transferred Graphics with DuPont Tedlar topcoatings, all aluminum lightbox construction, UL approved ballasts, seven year serviceable warranty, etc. to China’s outdoor sign industry.

3. Strategic Alliances. Poly Advertising and Engineering leads the industry in terms of the numbers and significance of the long-term partnerships in the industry. Poly has working relationships with the American Chamber of Commerce in Beijing, and The International Electronic Sign Association. Relationships with these groups have allowed Poly Advertising and Engineering the luxury of being first to market with many new product developments.

Monitor Industry Changes.
Other companies could adopt strategies similar to Poly’s. The management team at Poly Advertising and Engineering is keenly aware of this and intends to continuously monitor the industry so it can recognize these changes and make any needed changes in a timely fashion. Even though Poly doesn’t completely know its competitor’s strategies, they feel comfortable that their initial strategy gives them room to change and adopt different strategies if necessary. In the past two years, the competition has provided Poly with opportunities to change strategies to maximize Poly’s operation. Poly feels that their overall strategy will fit nicely into the industry structure. Poly is just the right size to compete favorably with the competition and feels its management team is capable of enabling Poly Advertising and Engineering to dominate the industry.
Chapter Three - Poly Advertising and Engineering’s Marketing Strategy

Target Markets

Poly Advertising and Engineering will target its products and services at wholly owned foreign businesses, joint ventures and Chinese companies that show significant potential. To optimize every marketing dollar spent, Poly’s target market is regularly analyzed according to the following factors:

Firmographics
Poly will target companies that have at least fifty employees. Companies with less than fifty employees probably do not have the financial or human resources to maintain large scale franchise operations.

Most Standard Industrial Classified (SIC) businesses will be targeted, however, Poly will focus its marketing resources on companies that maintain multiple retail locations in the food/restaurant, textile, automotive, and petroleum industries. A determining factor in target market definition is that the client believes that its image is tangible.

Poly’s target market businesses will have a minimum of 24,000,000 RMB (approximately US$ 3,000,000) in annual Chinese sales. Companies that do not have 24,000,000 RMB in gross sales will probably not have the cash flow to maintain multiple franchised sites.

Ownership of Poly’s target market companies will be wholly owned private and public foreign companies, joint ventures, and domestic Chinese companies.

It is expected that most of Poly’s clients will be fairly new to the Chinese market, with China operations commencing later than 1990.

Psychographics
Psychographics factors also help define Poly’s target market. Activities, interests and opinion’s research are conducted regularly against Poly’s target market to help Poly Advertising and Engineering understand the factors that influence the buying process, such as services offered, pricing, credit terms, use of colors, warranty preferences, and attitudes toward new technologies.

Geographic, firmographic, and psychographic information have been blended to help Poly Advertising and Engineering clearly define its target market. The resulting profile is used consistently to develop all marketing strategies, from literature to display advertisements to trade show and exhibit information.
Customer Buying Process

A typical buying process involves a decision maker, influencers, and other factors like the preferred number of vendors providing the solution. Poly Advertising and Engineering’s research indicates that the primary decision maker in Poly’s target market is the Country general manager (CEO or President), the marketing manager or the construction manager. Influencers include finance and other operations personnel. Most clients typically prefer to purchase from a single vendor, but require at least two submitted quotations.

Product Marketing

Poly Advertising and Engineering has positioned itself in the marketplace as a leading supplier of outdoor signage that allows businesses to improve their recognizability, and add value to corporate identities. Poly positions itself on these foundations.

Poly Advertising and Engineering’s product strategy is to provide unparalleled quality, reliability, and flexibility in outdoor signage design, manufacturing, installation and service. All product lines are designed to meet the specific requirements of their respective target markets. Positioning statements for some models are discussed below, along with supporting features and unique benefits of each model.

Lightboxes

Poly’s lightboxes are light, bright, impervious to rust and corrosion for a minimum of seven years, and are available in any shape or color. All lightboxes are assembled with the minimum amount of pieces to ensure fewer seams, waterproof-ness, and cost effectiveness. Poly’s lightboxes allow for easy light bulb maintenance because all signfaces are hinged to permit quick, easy servicing. Lastly, Poly’s lightboxes allow for easy changing of signfaces due to signface breakage or corporate identity change.

Features:
- All aluminum construction
- DuPont primer and impact resistant paint
- UL approved, high output, quick starting ballasts
- Waterproof
- Hinged signfaces for easy interior maintenance

Benefits:
- Seven year warranty
- No Rust
- No Corrosion
- No Waterleaks
Awnings
The Poly Awning is a bright, easy to install, “frameless” aluminum constructed awning, designed for the company who wants to get the most out of their logo and their location by balancing cost effectiveness with aesthetics.

Features:
- All aluminum construction
- Bright
- No visible seams or frames
- UL approved, high output, quick starting ballasts
- Waterproof
- Easily serviceable from underside

Benefits:
- Seven year warranty
- No Rust
- No Corrosion
- No Waterleaks
- Fire-resistant
- Easy maintenance
- Easy signface changability

Signfaces and Awning faces
The Poly decoration capabilities surpass state of the art technology and are unmatched in China’s sign making industry. Poly has established itself as the leader in the production of Sign/Awning faces. Poly only uses durable sign and awning material.

Sign/Awning faces can be decorated in five different techniques, adhesive backed vinyl, screen printing, heat transferred graphics, hand painted and computer ink jet printed. No matter the production technique, the signface is produced in a time efficient manner. A tough topcoating, DuPont Tedlar®, is applied whenever possible to ensure that all Poly produced graphics will maintain their bright colors for a minimum of seven years.

Features:
- Up to seven year warranty
- Use of reputable materials
- Unlimited size
- Fireproof
Poly Advertising and Engineering: A Business Plan

- Waterproof
- Unbreakable

Benefits:
- Unlimited color supply
- Consistent color
- Large-run capability
- Guaranteed performance (no fade, no breakage)

Service Marketing

The Chinese outdoor advertising business has become increasingly competitive resulting in thinner margins. In addition to product differentiation, Poly Advertising and Engineering believes that delivering unique and sustaining service benefits will help it not only maintain, but market share. Poly Advertising and Engineering has employed a service strategy that not only helps capture new customers, but keeps them coming back to make volume purchases. Poly’s service strategy consists of five main components:

Warranty
Every Poly Advertising and Engineering sign constructed with a topcoating and aluminum construction comes with a limited five-year warranty, a full one-year on site warranty, and affordable extended service plans that includes cleaning and bulb replacement contracts.

Toll-free Telephone Support
Poly’s customers can call us toll-free, seven days a week for friendly, knowledgeable support. Poly’s standard support programs are no additional charge. However, because some customers require more immediate assistance, Poly Advertising and Engineering provides value-priced support programs. These programs are an additional charge based on distance and response times. Response times are guaranteed or the client will not be charged.

Fax Support
Poly Advertising and Engineering has compiled the most common technical questions and answers to provide to Poly’s customers via fax. By calling Poly’s automated fax line, customers can receive a fax copy of Poly’s catalog of questions, and select the one that meets their needs.

---

20 see Appendix Two: Corporate Documents - Poly’s Limited Warranty
Poly Advertising and Engineering’ service offering
Poly’s warranties and support programs make Poly’s products the first choice among customers who demand unparalleled quality, reliability, and flexibility in outdoor signage.

Bulletin Board Support
Although, internet access is not widely found in China, Poly’s clients can use their modems to dial into Poly’s exclusive bulletin board support system set up in the United States, ask their questions, and receive an answer within 24 hours or less. Poly’s system administrator monitors each call to ensure timely and accurate responses.

Pricing
Poly Advertising and Engineering plans to price its products in such a manner that Poly achieves the following overall corporate objectives.

- **Maintain Poly’s market shares.** Poly is keenly aware of competitors plant capacities and their potential sales mix. Poly’s goal is to be competitive in the outdoor advertising market and turnover inventory at a suitable basis. To do this Poly has adopted different pricing strategies for its product lines.

  - **Aluminum constructed products/Topcoated Signfaces.** These models are value driven, not price driven. By choosing the high road in terms of pricing and using value added resellers to distribute this model, Poly feels it has set ourselves apart from the competitors. No Chinese outdoor advertising company can match Poly’s value when costing price out over warranty period.
  
  - **Steel Construction/Non-topcoated signfaces.** These models are price driven. Rapid changes in the outdoor advertising industry will soon render this model obsolete and Poly will price these products as a loss leader. These models carry no warranty. Poly does not hold large inventories to manufacture these products. Instead uses domestically produced materials on a just-in-time basis. Poly markets these models to the domestic market and feels the best strategy is to price slightly above the competition and give above par service. Poly also expects the price for this model to decline.

- Poly’s management feels that by setting these prices and enacting an aggressive promotional strategy, it can keep its market share. Poly will favor its aluminum construction/topcoated signface constructed products by aggressively marketing the products.
• **Meet the competition.** Poly feels its pricing strategy will be in line with its competitors and should be able to effectively compete in the marketplace. Poly will of course continue to monitor the industry and the competition and make pricing changes if need be.

• **Maximize profits.** The aluminum constructed/topcoated signface line is more profitable on a per unit sold basis. This is one of the primary reasons Poly will intend to favor it. Another reason is that quality products supported by quality service in a market where product availability with service is not readily available will help build reputation (face) where none exists. This translates to a corporate strategy of aggressive pricing coupled with quality product and service that is consistent with Poly’s goal of maximizing shareholder wealth. This strategy is also consistent with the fact that Poly is pursuing a value driven strategy by focusing on high end products. The outdoor advertising industry is rapidly changing and Poly feels by emphasizing quality and service, it can ride its technological edge to an even greater level of company profit and future growth.

• **Encourage sales growth.** By pricing the steel constructed/non-topcoated product at lower levels, Poly feels confident that it can maintain its expected sales levels. Poly expects to meet stiff competition as it feels most, if not all of its competitors, will favor the cheaper product lines. Poly lowered its price to insure it can keep its customers and sales volume. But Poly also will focus on its higher priced line. Poly will essentially maintain its price on the higher priced products (all manufacturers recently increased material prices after more than 2 years with no price increases). Poly feels the brand loyalty and opportunity for new sales gives Poly an opportunity to maintain its price and still increase sales levels. Poly plans to increase its promotional budget for its high-end lines. Poly will monitor sales levels at current spending amounts to determine promotional spending effectiveness. Poly realizes that it may have to increase promotional spending or payroll if it cannot achieve its planned sales levels.

**Packaging.**

With regard to packaging, Poly Advertising and Engineering packaging will reflect Poly’s attention to detail and product positioning within the outdoor advertising market. All packages, trucks, and installation personnel will be attractively labeled and identifiable. Personnel are instructed on personal as well as general public safety in construction techniques.

Poly Advertising and Engineering’s products and people will all carry an attractive graphic of Poly’s new logo.
Customer Acquisition.

Poly Advertising and Engineering will pursue its identified market by first generating lists of the user population from association memberships, business directories, and by using such data bases as Dunn and Bradstreet, Standard and Poor's, The American Chamber of Commerce in Beijing's Membership Directory, and internet queries to identify potential businesses for the China market.

After lead generation, Poly's marketing department will qualify leads through such means as direct mail surveys, trade publications, consumer publications, and trade events. Through these means Poly will determine the purchaser's decision maker, the purchaser's budget, as well as the purchaser's time frame in procuring product.

Closure takes place through Poly's knowledgeable marketing department. A trade lead is passed to an appropriate agent through a timely referral system, and when available computerized/internet/email tools will be used.

Poly's Home Page
Poly's will develop a website on the internet in 1996 to inform potential customers about Poly Advertising and Engineering.

The Poly Advertising and Engineering's Home Page includes product information/configurations, nearest completed site locations additional information, and email address to answer questions from consumers.

Advertisements
Poly will not use a large amount of advertising to pursue sales leads in the next calendar year because Poly's management feels that the funds required to place ads in Chinese publications would be better used by increasing promotional budgets, hiring additional sales people to make additional person corporate contacts and maintain professional association membership.

Installed Base Development

Customer Satisfaction
Customer satisfaction is vital to Poly Advertising and Engineering's continued success and longevity as an outdoor signage manufacturer. Satisfaction is the basis of long-term brand equity and customer loyalty— two reliable predictors of success in the sign industry. Because of the enormous size of the China market, Poly's ability to support customers and provide outstanding service whenever possible will be the foundation of future successes. Poly must work with its customers to educate the market about available technology, helping to teach them new ways that Poly's technical processes can make its clients more recognizable, profitable, and cost effective. Poly is are
committed to doing everything in its power to ensure that its customers enjoy using Poly's products and keep coming back.

Satisfaction Measurement
Poly Advertising and Engineering firmly believes that its products and product support systems meet the demands of Poly's unique target markets far better than any other Chinese company. Everything that is done at Poly is geared to exceeding Poly's customers' expectations. Poly feels that its products, policies, and philosophies all intertwine to institutionalize customer satisfaction.

In order to guarantee that Poly Advertising and Engineering's customer's impressions match Poly's expectations, Poly will perform quarterly telephone and mail surveys of customer satisfaction among all areas or Poly's target markets. Topics to be analyzed include product quality, service quality, rate of obsolescence, durability, performance, rate of malfunction, warranty usage, and other measures of customer satisfaction as defined by Poly's customers themselves through annual focus group interviews. All variables will be analyzed for trends and posted for every Poly Advertising and Engineering employee to view.

Additionally, several proactive measures that allow Poly to anticipate potential problems relating to customer satisfaction have been instituted. Employee involvement through quality circles, continuous improvement measures, cross functional teams, and a company-wide TQM campaign all work to institutionalize both progressive and revolutionary developments which will expand the definition of customer satisfaction.

Strategies to Maximize Revenue Per Customer

Up Sell Opportunities
One technique that Poly will use to maximize up sell opportunities will be to provide point of sale information as well as materials that educate businesses about the trends in building corporate image. The focal point of these efforts will pertain to future upgrade information and sales. This process will necessarily be very subtle—it can be quite dangerous to suggest to the purchaser of new signage that they should already begin to consider upgrades to the signage that they just bought. However, the primary goal of this process will be to generate an awareness of upgrade issues with information on how they can gain the support when the time comes to consider an upgrade. If tactfully done, the materials could actually promote sales at the point of purchase while successfully facilitating the transfer of relevant upgrade information.

After Market Sales
After market sales promotions will support previously the previously described program. In 1996, Poly will launch a service that will ensure that Poly's newly installed
signs and awnings will maintain their clean, sharp look by offering a quarterly high water pressure washing and bulb inspection. This service will be free with each aluminum constructed/topcoated signface for one year. Additional service is available beyond the first year for a fee that is a function of size and distance from Beijing and number of stores under the service agreement. Cleaning service is also available for non-Poly customers.

Service Sales
In addition to the service facilities required of Poly’s value-added retailers, the company will offer an exclusive toll-free telephone support Hot Line. Any product failure or problem can be reported to this service for prompt repair. Services will be voice mail/pager automated to the greatest extent possible, but human operators will respond to and direct calls to the appropriate area. Additionally, automated fax support will disseminate information to customers with fax machines.

Channel Recruitment.

The specific profiles and recruiting strategies for channel recruitment are described below.

Target Channel Profile
Poly Advertising and Engineering will target High Volume Retailers (HVRs) to sell its products. These business customers demand a higher level of pre-sales expertise when making buying decisions. They also demand a higher level of post-sale service to implement their systems and become trained in using their systems. Poly Advertising and Engineering’s marketing department consists of trained professionals who can guide their business clients through detailed needs analyses during the sales process, and provide high-quality training and technical support after the sale. To ensure a high value image, while providing high quality Poly will employ consistency with regard to human resources. This will give Poly’s valuable client base a knowledgeable, experienced contacts who’s sole goals are to ensure that the client’s needs are met.

Influencers
Key influencers that Poly Advertising and Engineering will target to help push prospective customers within the HVRs group include company presidents, marketing managers, construction managers and architects.

Trade Events
Poly Advertising and Engineering’s presence at trade events bodes well for it in its efforts to recruit HVRs. Poly will participate in Sign China in Shanghai (Fall) and Beijing Print and Pack (Spring) and Screen Print China - Guangzhou (Summer).
Seminars
Poly Advertising and Engineering’s experience indicates that seminars are effective methods of identifying and qualifying prospective clients. Historically, Poly’s close rates have been comparatively higher, as well. During 1996 Poly will work with Signtech USA to launch a three-city seminar tour to build awareness about Poly’s company and products, to generate at least 100 qualified HVR leads, and to close at least 5 of those leads as new Poly product users.

Channel Development.
Poly Advertising and Engineering provides the best business opportunity to its customers by delivering the most comprehensive “Partner Programs” available in the marketplace. Compelling programs, strong marketing support, education opportunities, toll-free technical support, competitive margins, personalized account representation, and Poly’s Business Development Fund program are just some of the ways Poly Advertising and Engineering maximizes business opportunities and its success.

Platinum/Gold/Silver Partnership Programs
Poly Advertising and Engineering’s Partnership Programs are designed to reward sales performance of marketing personnel based on their annual volume. Requirements for each program and the recognition and rewards Partners received is outlined in the table below.

Figure 8: 1996 Sales incentives program.

<table>
<thead>
<tr>
<th>Partner Level</th>
<th>Requirement</th>
<th>Recognition</th>
<th>Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platinum</td>
<td>5 million RMB in annual Sales</td>
<td>Honoree at Company annual banquet, Trip to the USA.</td>
<td>Stock Bonus 5,000 Shares</td>
</tr>
<tr>
<td>Gold</td>
<td>2 million RMB in annual Sales</td>
<td>Recognition at company annual banquet, Trip to Hainan.</td>
<td>Stock Bonus 2,000 Shares</td>
</tr>
<tr>
<td>Silver</td>
<td>1 million RMB in annual Sales</td>
<td>Recognition at company annual banquet, Trip to Guilin.</td>
<td>Stock Bonus 500 Shares</td>
</tr>
</tbody>
</table>

Alliance Marketing
Poly Advertising and Engineering will continue to develop several strategic alliances in the coming year as part of its marketing strategy. The benefits of such relationships can
be mutually advantageous and cost effective to both parties involved. Some advantages include reduced marketing costs through shared expenses, complimentary marketing campaigns, organized support activities, reduced information gathering, and proactive industry leadership. Poly understands the lucrative nature of long-term working relationships with such groups as suppliers, associations, and manufacturers and is proactive in the maintenance of these relationships.

In addition to the alliances supported by the channel development strategies presented in the preceding section, Poly has gained significant ground in the maintenance and development of alliances with several strategic groups. A brief discussion of some of these agreements follows.

**Associations**

The American Chamber of Commerce in Beijing (AmCham): Poly regularly attends the monthly meetings in order to benefit from the group's vast knowledge of China business. These informational benefits help assure Poly that its products maintain the optimum level of compatibility with the ever-changing needs of Poly's clients.

International Sign Association (ISA): Poly attends ISA's annual exposition to keep with the trends of the signage industry. ISA offers information on sign codes, a directory of material manufacturers, proven assembly techniques and networking opportunities.

**Corporate Communications**

To maintain Poly Advertising and Engineering's image and to better provide its clients better service, Poly's marketing department has prepared a "Users Manual and Support Information" Reference Book. The book contains information on Poly's Sales Programs, frequently asked service questions, Terms and Conditions of Sale, and warranty information.

**Environmentally Conscious**

Poly Advertising and Engineering takes a proactive attitude in protecting its employees and the environment in which they live and work. All PVC, aluminum, stainless steel, steel and iron tailings, scrap paper are saved in separated bins for monthly recycling. Whenever possible, waterbased inks, paints and coatings are employed. No chemical dumping will take place as a result of Poly's manufacturing practices. All dangerous waste materials will be disposed in appropriate sealed containers and passed to an official government approved disposal company. Employees are educated to the dangers of the chemicals, tools and other hazards that are unavoidably used in manufacturing so that appropriate safety procedures are maintained. Poly will communicate these practices to its clients.
Marketing Budget

Figure 9: 1996 Marketing Budget

<table>
<thead>
<tr>
<th>Program</th>
<th>Frequency/Number</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Access/site</td>
<td>330 RMB x 12 months</td>
<td>3,960 RMB</td>
</tr>
<tr>
<td>Manufacturer's Uniforms</td>
<td></td>
<td>4,000 RMB</td>
</tr>
<tr>
<td>Market/Customer Surveys</td>
<td>300 RMB x 12 months</td>
<td>3,600 RMB</td>
</tr>
<tr>
<td>Trade Events</td>
<td>1000 RMB x 3 events</td>
<td>3,000 RMB</td>
</tr>
<tr>
<td>Seminars</td>
<td>10,000 RMB x 3 cities</td>
<td>30,000 RMB</td>
</tr>
<tr>
<td>Partner Programs</td>
<td></td>
<td>50,000 RMB</td>
</tr>
<tr>
<td>Alliance Marketing</td>
<td></td>
<td>8,000 RMB</td>
</tr>
<tr>
<td>Users Manuals</td>
<td></td>
<td>4,000 RMB</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>106,560 RMB</strong></td>
</tr>
</tbody>
</table>
Chapter Four - Operations Strategy

Poly’s Operations Strategy

Poly’s operations strategy covers administrative, marketing, and manufacturing functions. The administrative and marketing location within Beijing maintains equipment and personnel required to efficiently provide the service Poly’s clients expect. Poly’s office operates from eight o’clock to five o’clock, Monday through Friday. Telephone service is uninterrupted during business hours and is promptly and courteously answered by a person within three rings during business hours. Off-hours telephone calls will be taken and messaged by a voice mail system. All marketing personnel are provided company pagers to ensure constant communication. All written correspondence maintains consistent corporate identity standards21.

The administrative team is responsible for maintaining Poly’s corporate client’s data base. The data base follows The Mackey 66 format22 and is used to provide marketing personnel with client and corporate information. The information is managed in Microsoft Access and available on the office network. Data is continuously gathered by all administrative and marketing personnel. The administrative team consists of four people, an office manager and two assistants, and the company’s financial officer.

The marketing team is responsible for the servicing of Poly’s existing client base, extending the client base and gathering market information. The marketing team consists of four managers and four assistants. The managers are responsible for ensuring client satisfaction by affirming client identity standards throughout the project’s design, manufacture, and implementation. Managers will become “specialists” in a product market such as fast-food, gas station, ink jet, etc. Marketing assistants are under the direction of the Managers and are “in-training” to become Managers. Additionally, there are three general office personnel that assist with any overflow work.

A general administration and marketing meeting takes place every Monday morning to establish weekly goals. Brief daily team meetings (administrative team and marketing team) take place every morning to monitor ‘progress to goals’. Tuesday morning office manager and marketing director meet with company president, and shop foreman to discuss weekly goals and problems.

Poly’s administrative and marketing headquarters maintains three stand-alone 486 PCs with Chinese Windows. By the end of 1996, a seven station LAN network, with internet

21 See Appendix Two - Corporate Documents
access will be installed. The network will incorporate client, product inventory, accounting and project data.

Poly’s new network will be an integral aspect of inventory tracking because Poly’s inventory is located at its manufacturing facility 20 kilometers outside of Beijing. Daily product usage is downloaded from a station at the factory to the LAN at administrative headquarters. The factory maintains three design/manufacturing stations. The design stations are connected to a five foot plotter that cuts vinyl or ink-on-paper logos and artwork.

After the artwork is designed and cut, the artwork is laid out in a large clean, carpeted, room on two meter by ten meter light tables and applied to flexible or rigid signface substrates. Clean, carpeted rooms are necessary to ensure the best possible adhesion of the graphic to the substrate. The use of light tables minimizes the possibility of light leaks at seams.

Poly makes use of a large Heat Transfer Machine (seven foot by twelve foot transferable area). The Heat Transfer Machine allows for the transfer of ink on paper into the sign substrate by using temperatures over 110 degrees Celsius and vacuum pressures over thirty pounds. This machine can be used to eliminate air bubbles from between adhesive backed vinyl and the sign substrate and to accelerate maximum adhesion by use of heat and vacuum pressure.

Aluminum is difficult to weld, therefore Poly’s manufacturing facility maintains two imported tungsten-inert gas (TIG) heliarc welders. TIG welders allow the purest, strongest aluminum, steel, and iron welds.

The remainder of Poly’s tooling (saws, rechargeable battery hand-held drills, sockets and socket sets, hammers, and screwdrivers) are American, Japanese or German and are guaranteed for life by the manufacturer. All of Poly’s tool manufacturers must have offices in Beijing, because Poly feels that its products are only as good as the tools it uses.

Poly’s manufacturing facility is currently equipped with “clean” three phase 320 voltage that is stepped down to 110v, and 220v. Amperages exceed 100 amps per phase. All electricity is regulated and stabilized by Poly before the electric lines enter the manufacturing facility.

Poly’s current facility is 30 meters by 40 meters and allows for substantial growth into the surrounding area.

---

[23] See Appendix Four - Map Index, Map
Poly does the majority of the manufacturing in-house, but does source finished goods, such as ink jet pictures, vacuum formed signs, menuboards, and playgrounds, from the United States and Canada.

Poly’s manufacturing facility is manned by 28 people. A shop foreman, three team leaders, three layout/design artists, and 21 general laborers. The foreman is responsible for the flow of all projects, materials and labor usage through the facility. The team leaders are responsible for the proper completion of assigned projects. The layout artists are responsible for producing sign and awning faces. The general laborers are responsible for the cutting and welding of sign and awning frames, installation of sign/awning faces, and installation of signage and awnings as per the team leaders specifications.

Poly will be proactive in its policy toward providing its employees a safe environment to live and work. Therefore, recyclable material, and biodegradable materials (waterbase coatings and solvents) will be used whenever feasible.

All factory employees are educated as to Poly’s policy on safety, material tailing recycling, and proper disposal of potentially hazardous chemicals. Poly recycles all aluminum, steel, iron, plastic, and paper waste on a monthly basis. Chemicals are stored in appropriate sealed containers and disposed of by a government approved waste management company.

A general factory meeting takes place every Monday morning to establish weekly goals. Brief daily team meetings take place every morning to monitor ‘progress to goals’. Tuesday morning shop foreman meets with company president, marketing director, and finance director to discuss weekly goals and problems.

Bi-yearly company meetings are held to discuss strengths, opportunities, weaknesses and threats, measure and re-assessment of personal and corporate goals.

Management Team.

Poly’s management team is critical to continued success.

Figure 10: Poly Advertising and Engineering’s Human Resource Diagram
Mr. Cui Gui Sen is Poly's founder and sole stockholder of all one million shares of Poly's stock. Mr. Cui is responsible for overseeing all operational aspects of Poly Advertising and Engineering. He spends most of his time managing Poly's marketing efforts, and furthering Poly's client base and developing new business products and services. He was educated at the Beijing Art University. Upon completion of his degree, served his mandatory military service at the National Highway Department in Beijing, making and installing road signs. After the Tiananmen Square incident in 1989, Mr. Cui started working for Golden Horse Advertising Company, a Chinese government run agency that provided creative and production services for all kinds of China broadcast and print media. Golden Horse was named the distributor of 3M outdoor advertising products. Mr. Cui was in sales of 3M products at Golden Horse. Then in 1992, 3M setup their own distribution network, bypassing Golden Horse, and Golden Horse shifted its business emphasis to television production and real estate development. At this time Mr. Cui started his own sign production company using 3M and other imported sign materials sourced from Hong Kong. In the spring of 1992, Mr. Cui submitted formal articles of incorporation to the Beijing government, forming the first private outdoor advertising company in China. Mr. Cui's strengths are his entrepreneurial spirit, his ability to grasp new concepts, his warm social demure, and his diverse business and government contacts.

Ms. Shi Chun is critical to the daily operations of Poly Advertising and Engineering. Shi Chun is responsible for all office and accounting personnel and functions. Shi Chun's strengths are her organizational skills, quick grasp of new technology, polite personality, and great family contacts.

Mr. Go is the manager of the manufacturing facility. He has been producing signs since 1992 with Mr. Cui. His experience includes an officer position in the Chinese Army where he was in charge of a company of over 100 men. His strengths are his motivational, people, and organizational skills.

Poly Advertising and Engineering's Board of Advisors consists of several individuals that serve as advisors to business operations. They are:

Thom M. Tingley has been consulting with Poly since mid-1993. His role has been to assist Poly with its sourcing requirements. Products that Mr. Tingley sources include production and administration materials, hardware and software. Mr. Tingley also advises Poly as to setting future strategies, capital purchases, appropriate technology transfer, and human resource requirements. Mr. Tingley has also assisted with the acquisition of international clients such as KFC, Carvel, Baskin Robbins, Pizza Hut and so on. He visits China at least two weeks of every year. He maintains contact with source companies in North America on a regular basis and attends yearly US sign trade shows.
Hary Gandy is the vice president of Signtech USA, a major supplier to Poly Advertising. Hary meets with the management of Poly at least twice yearly (once in China, once in the USA) to advise on new up coming projects, technology, and general management practices.

Stephen Yang is the country construction manager for KFC China. Mr. Yang consults with Poly’s management twice yearly to advise on construction projects within China and changing corporate identity rules.

Risks and Concerns

Every business involves risks and causes of concern. Poly is monitoring the following items to minimize risk.

For Chinese companies, conversion of RenMinBi into hard currency is the largest competitive disadvantage in doing business in China. Foreign owned companies and joint ventures can convert some profits and apply to the Bank of China (run by the Ministry of Finance) for money required to obtain foreign produced goods. Domestic Chinese businesses are only allowed in special circumstances to apply for exchange privileges. This policy does not allow Chinese companies to make regular purchases to maintain inventories or import new machinery. Therefore Poly must time its purchases and manage its cash reserves carefully until the Chinese government adjusts its currency exchange policy.

Importation of goods can be source of frustration when doing business in China. This is due in large part to corruption in customs offices throughout the country. Poly minimizes this problem by being consistent in method and location in bringing goods into China. All materials and equipment are brought into the country via Hong Kong. In Hong Kong the shipments are consolidated by a large materials import company. This company maintains very good contacts with port officials in Shenzen (China’s largest port of entry). Because of the size of import company and size of Shenzen, corruption is cheaper because of economies of scale.

Domestic transportation within China is also a serious concern. Poor roads, inefficient train schedules, inadequate shipment tracking, and careless handling procedures are typical of China’s freight companies. Typical Chinese shipping companies do not offer insurance to Chinese companies that would replace imported goods damaged in transit. Time is also a consideration when transporting products in China. Poly minimizes transportation risks by ensuring that goods are packaged for abuse and Poly transports finished goods using its own trucks and educated personnel.
As with all information created by the China government and press, information must be checked and re-checked for accuracy. Poly relies on its network of domestic clients, association affiliations and international suppliers for reliable information.

A growing concern within China relates to political instability. China's aged patriarch, Deng Xiao Peng, has named his successors, but the nation's approval of the new leaders is divided. The future of China's political make-up is unknown. Poly's position with regard to politics is that regardless of what unfolds, there will be business to be done. Poly's clients have invested in the long term viability of the China market. Poly will continue to provide affordable, quality products and services to meet market demands.

A large concern arises out of the availability of quality, customer service oriented, educated human resources. While it is true that China maintains the largest population to draw personnel from, the skill level required to nurture a company is not as readily available as in developed countries. Poly addresses this problem by employee education, working in teams and through continual client satisfaction measurement and communication of client's attitude toward Poly. Poly will grow slowly and surely throughout the next three years. Poly will add a minimum of four new employees, thoroughly educate them to Poly's corporate culture, and place them in a mentor program.

Lastly, there is a long term concern as to the Chinese government's policy toward taxation. Currently, the employer is not fully responsible for taxes on employee benefits. The "social" system takes care of all people. However, the system is under considerable strain. This strain coupled with the possibility of future environmental problems will undoubtedly force a change in tax policy. Poly will be proactive in this area by investing a portion of profits in the future to minimize this future tax burden and to ensure that Poly employees will suffer no exorbitant health care costs.

Financial Plan.

The following financial analysis projects Poly Advertising and Engineering's next three years of operation. The Balance Sheets, Income Statements, Statement of Cash Flow, Financial Ratios, and Break Even Analysis appear in the first appendix. Poly is classified by the four digit standard industrial classification (SIC) code 7312 - Outdoor Advertising Services. 7312 is defined as businesses primarily engaged in the preparation of poster displays and painted and electric spectacular displays on billboards, panels, bulletins, and frames, principally outdoors. Such establishments may construct, repair, and maintain display boards and may post advertisements.
Poly Advertising and Engineering: A Business Plan

An Overview

Before delving into statement explanation and ratio analysis, a brief overview may help to acquaint the reader to Poly Advertising and Engineering. Appendix One contains Projected Balance Sheets for 1996, 1997, and 1998 as well as Income Statements, Statements of Cash Flows, Monthly Break-even Analysis, Net Present Value Analysis for a Vacuum Forming Machine and a Five Meter Ink Jet Printer. Note that all figures are in RenMinBi. Exchange rate at time of publication was 8.3 RMB = US$1.00.

Figure 11: Balance Sheet Comparison

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
<td>%</td>
<td>$</td>
<td>%</td>
<td>$</td>
</tr>
<tr>
<td>Cash</td>
<td>925,110</td>
<td>12.2%</td>
<td>6,322,443</td>
<td>70.12%</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>334,117</td>
<td>5.0%</td>
<td>355,160</td>
<td>4.2%</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>159,244</td>
<td>2.1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>75,829</td>
<td>1.0%</td>
<td>532,165</td>
<td>6.4%</td>
</tr>
<tr>
<td>Total Current</td>
<td>2,547,843</td>
<td>33.6%</td>
<td>7,070,468</td>
<td>84.99%</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>3,169,637</td>
<td>41.8%</td>
<td>1,902,571</td>
<td>22.8%</td>
</tr>
<tr>
<td>Other Non-Current</td>
<td>1,865,384</td>
<td>24.6%</td>
<td>1,780,800</td>
<td>21.71%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>7,582,872</td>
<td>100.0%</td>
<td>11,793,371</td>
<td>100.0%</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>318,479</td>
<td>4.2%</td>
<td>31,800</td>
<td>0.4%</td>
</tr>
<tr>
<td>Bank Loan</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>310,901</td>
<td>4.1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Current</td>
<td>1,501,412</td>
<td>19.8%</td>
<td>1,282,956</td>
<td>15.9%</td>
</tr>
<tr>
<td>Deferred Credits</td>
<td>83,415</td>
<td>1.1%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Worth</td>
<td>3,920,347</td>
<td>51.7%</td>
<td>10,397,805</td>
<td>88.2%</td>
</tr>
<tr>
<td>Total Liability &amp; Net Worth</td>
<td>7,582,872</td>
<td>100.0%</td>
<td>14,782,170</td>
<td>100.0%</td>
</tr>
<tr>
<td>Net Sales</td>
<td>6,713,646</td>
<td>100.0%</td>
<td>8,757,000</td>
<td>100.0%</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>4,099,240</td>
<td>59.7%</td>
<td>5,801,513</td>
<td>66.3%</td>
</tr>
<tr>
<td>Net profit After Tax</td>
<td>597,691</td>
<td>8.9%</td>
<td>2,604,810</td>
<td>29.7%</td>
</tr>
<tr>
<td>Working Capital</td>
<td>1,046,431</td>
<td>15.1%</td>
<td>6,177,471</td>
<td>72.8%</td>
</tr>
</tbody>
</table>

Balance Sheet Explanation

Poly's Balance Sheet is considerably different from Poly's American peers. The main factor contributing to this difference is use of credit. The foreign and Chinese Banks do not readily loan funds to private firms and almost all firms in China do not issue credit to customers. This makes it difficult for Poly to purchase assets. Over the next three years Poly will build its current assets in order to finance capital purchases in 1996 and 1998. Large accounts receivable at the end of 1995 was due to a contract with a large client expected to be settled early in 1996. Inventories are substantially higher for Poly because of inefficient shipping and currency exchange difficulties. Liabilities are all comparatively low because Poly has not been issued any credit. Poly’s equity is made up of 1,000,000 shares of privately held stocks worth 4,000,000 RMB. All shares are currently held by company president Mr. Cui Gui Sen. Retained earnings up until 1995 were reinvested in the business to purchase new equipment. However, in 1996, stock will be offered a bonus and dividend policy will be set for personnel that have been with the company since establishment. Marketing personnel that meet the Partner Performance Levels as described in the Marketing section will also participate in stock.
and dividend programs. This is done with the hope that Poly's employees will perform better if they own a portion of the company.\textsuperscript{24}

Income Statement Explanation (see Appendix One)
1996 to 1998 revenues are estimated at maintaining a slightly reduced growth rates when compared to 1992 through 1995. Projected revenues were determined by figuring the monthly percentage of total sales, for example January 1993, January 1994 and January 1995 revenues, on average, accounted for 5 percent of yearly revenues. There are no uncollectables or returns to date in Poly's operations. Cost of Sales are figured as a percentages of sales. Expenses are self explanatory with the exception of Payroll Expenses. Poly takes advantage of a tax loop hole. If an employee makes less than 800 RMB salary per month no taxes are assessed on those employees. Bonuses are provided monthly to each employee that makes in excess of 800 RMB. Bonus payments are included in the Payroll account. Cost of living raises and the new employee hires are included in 1997 and 1998 Income Statements. Increases in depreciation expenses also are incurred in 1997 and 1998 due to capital equipment purchases. Dividend payments commence in 1997.

Statement of Cash Flows Explanation (see Appendix One)
The Statement of Cash Flows shows how cash is used at Poly Advertising and Engineering. In January of 1996 Poly will purchase a new CAD/CAM sign manufacturing system. In April of 1996 a new computerized telephone PBX/voice mail system will be put into operation. And in December of 1996 China's first computer operated vacuum forming sign manufacturing system will be shipped to Poly's Beijing manufacturing facility. The next large capital outflow will not take place until the beginning of 1998, when a five meter ink jet printer will be purchased.

Financial Ratio Analysis
The primary purpose of ratio analysis is to compare Poly Advertising and Engineering with typical United States outdoor advertising firms and to assist Poly in its future comparison to itself. Then irregularities can be identified and explained. Irregularities will be identified by comparing Dunn & Bradstreet industry norms with Poly's figures. Dunn and Bradstreet sampled forty-nine American outdoor advertising firms. A side-by-side ratio comparison is displayed here. Normally, three types of ratios are examined, solvency ratios, efficiency ratios and profitability ratios, but because credit is not issued to Chinese companies, solvency (coverage and leverage) ratios are not of much use in ratio analysis as displayed by very high current and quick ratios.

**Poly Advertising and Engineering: A Business Plan**

**Figure 12: Financial Ratio Comparison**

<table>
<thead>
<tr>
<th></th>
<th>POLY Year 1</th>
<th>POLY Year 2</th>
<th>POLY Year 3</th>
<th>Industry UQ</th>
<th>Industry Med</th>
<th>Industry LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOLVENCY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current ratio (times):</td>
<td>7.92</td>
<td>7.17</td>
<td>6.02</td>
<td>4.9</td>
<td>1.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Quick ratio (times):</td>
<td>7.32</td>
<td>6.79</td>
<td>5.65</td>
<td>3.8</td>
<td>1.5</td>
<td>0.7</td>
</tr>
<tr>
<td>COVERAGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest coverage ratio:</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Operating cash flow to current liability ratio:</td>
<td>7.09</td>
<td>6.65</td>
<td>5.49</td>
<td></td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td>LEVERAGE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term debt to total assets</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td>0.27</td>
<td></td>
</tr>
<tr>
<td>Total liabilities to equity</td>
<td>10.97%</td>
<td>13.4%</td>
<td>10.6%</td>
<td>15%</td>
<td>57%</td>
<td>188%</td>
</tr>
<tr>
<td>EFFICIENCY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to net working capital ratio:</td>
<td>1.18</td>
<td>1.01</td>
<td>1.42</td>
<td>22.7</td>
<td>7.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Inventory turnover:</td>
<td>4.64</td>
<td>5.57</td>
<td>6.40</td>
<td>188</td>
<td>62.9</td>
<td>28.7</td>
</tr>
<tr>
<td>Account receivable turnover:</td>
<td>34.54</td>
<td>41.33</td>
<td>47.64</td>
<td>18.7</td>
<td>30.7</td>
<td>48.4</td>
</tr>
<tr>
<td>PROFITABILITY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on sales:</td>
<td>35.8%</td>
<td>44.5%</td>
<td>42.0%</td>
<td>21.8%</td>
<td>7.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Return on assets</td>
<td>28.9%</td>
<td>33.0%</td>
<td>28.6%</td>
<td>18.1%</td>
<td>9.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>32.1%</td>
<td>37.4%</td>
<td>31.6%</td>
<td>28.5%</td>
<td>18.9%</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

**Sales to Net Working Capital** ratio displays whether a company is over-trading or carrying more liquid assets than average for its sales volume. Companies with substantial sales gains often reach a level where their working capital becomes strained. Poly’s working capital is very high when compared to the industry, indicating that Poly could make better use of its working capital. One reason for poor use of working capital is idle cash and the inventory on hand. Poly maintains high levels of cash because China’s banking system is bureaucratic and the securities exchanges are very volatile. Poly’s inventory is high to minimize risks that arise from importing goods into China and the Government’s erratic customs policies. Poly is considering investing excess cash in new business ventures such as a domestic laundry franchise and exchanging RenMinBi on the black market then transferring hard currency into international securities.

Inventory control is an important measure of managerial effectiveness since poor controls allow inventory to become costly to store, obsolete or insufficient to meet demands. The **sales to inventory** ratio measures the flow at which merchandise is being
moved and the effect on the flow of funds in the business. This figure is very meaningful when compared to industry norms. Low figures should be examined with care as they may indicate excessively high inventories, high figures could indicate insufficient merchandise to meet customer demand. Poly’s inventory levels (inventory turnover ratio) are much higher when compared to the industry. This is due to availability of goods from within China. Unlike American companies, Poly cannot take advantage of just-in-time production methods because of Chinese shipping and customs. Poly minimizes shipping and customs risks by maintaining large inventories. Poly could not make timely production adjustments if it did not carry a large inventory. Poly is still developing its marketing channels to bring sales volume to suitable levels for a large inventory. Finally, because Poly does not currently extend credit to its customers, its account receivable turnover ratio is comparatively high.

Poly’s return on sales and return on asset ratios display Poly’s pursuit of highend discriminating clients in a market where supply is limited. Poly’s return on equity ratio is especially interesting because Poly achieves a figure above the industry’s upper quartile without using any leverage. This makes Poly a very safe risk to investors.

Monthly Break - Even Analysis
Poly’s monthly break-even analysis shows monthly variable and fixed costs plotted against Poly’s profits. The figures that are used to create Poly’s monthly cost were calculated from 1995 yearly totals divided by twelve months. This type of analysis does not account for the seasonality that Poly’s business experiences. Due to China’s harsh winter climate and national holidays, Poly’s has reduced sales in December and January as shown in Poly’s Income Statement Projections. Poly must make approximately 279,000 RenMinBi per month to break even.

Net Present Value Analysis.
Poly currently sources vacuum formed sign panels and ink jet prints from the United States, but to maintain its foothold in the China Outdoor Advertising market, Poly would like to extend its production capabilities in the next three years. As presented in the Capital Purchases account in the Statement of Cash Flows, in 1996 Poly would like to purchase a vacuum forming machine and in 1997, purchase an ink jet printer. Poly will only purchase these machines if it has demand that will provide timely return on the investment. For the vacuum forming machine Poly will have to pay 700,000 RMB and can recover the cost of investment at a rate of 25 percent within two years if the sales figures presented in the Net Present Value for Vacuum Forming Machine given in Appendix One are met. For the ink jet printer Poly will have to pay 5,000,000 RMB and can recover its investment within two years at a 30 percent return if the sales figures presented in the Net Present Value for a Five Meter Ink Jet Printer given in Appendix One are met. If sales volumes cannot realistically be met by importing minimum vacuum formed and ink jet face sales volumes, equipment should not be purchased.
Currency Exchange
Because Poly must pay for its materials in hard currency, Poly must regularly exchange RenMinBi into hard currency. This is not easily done for a Chinese company. Normally, a Chinese company must apply to the Bank of China for hard currency. This process is lengthy taking up to a week or more. Proof of need and amount necessary must be submitted with the application. The applications are reviewed and full funds, partial funds or no funds are granted. The company then must apply to transfer the funds out of the country. Again depending on the need and the amount, applications can be rejected or accepted. More often than not, Chinese companies are not allowed to transfer large blocks of hard currency out of China. In some cases, however, individual Chinese citizens can transfer funds out of China, no questions asked. Poly takes advantage of this loophole and rotates its employees in applying for transfer of overseas funds at different branches of the Bank of China. By using this method of exchange and transfer Poly can transfer funds up to US$20,000 at a time, once a week. Poly will have to continue to using this method of getting funds out of China until further relaxation of exchange and transfer policies is enacted. Poly is currently building up funds in a US bank account to ease purchasing. It should be noted that Poly makes extensive use of its domestic business relationships (guanxi) in getting money out of China.
Chapter Five - Conclusions

Future Considerations

Poly will extend its product lines in the next two years by adding children’s playgrounds and vacuum formed signs to its product lines. Currently, Poly is marketing and sourcing these products from North America, but as profits warrant, Poly will invest in new tools, facilities and human resource so Poly can produce these products in China.

Poly would also like to enter the China Ink Jet Printing market in two to three years. Poly will do this very cautiously as current production capacity outweighs demand. However, Poly feels that the marketing departments of companies that are currently producing large format ink jet images are underachieving. Poly is currently marketing prints produced in the USA, Hong Kong and China. Poly will only invest in an ink jet printer if projected monthly sales demand can support a reasonable return.

Additionally, with the excess profits that Poly is producing, Mr. Cui is currently, working on three other ventures with Mr. Tingley: a printing materials distribution company, a laundry franchise, and a U.S. based trading company.

The material distribution company will concentrate on educating and marketing the tools and materials that are required to produce quality signage. This will make Poly’s suppliers very happy as they would like to sell to more companies in China. Poly already has numerous material manufacturer contacts and has customs contacts to get the materials affordably into China. This operation will be totally separate from Poly Advertising and Engineering.

The laundry franchise concept grew out of another KFC need. KFC uses uniformed employees. Originally, KFC furnished the uniforms to the employees and had the employee wash the uniform at home only to find that the employee did not have a washing machine. The uniforms, then, were washed by hand and would not come clean. Therefore, KFC’s clean image was becoming tarnished because there are very few commercial laundries in China, and the ones that exist are very expensive. Currently Mr. Tingley is researching laundry manufacturers to source the appropriate washers and dryers for a “sample” store.

Finally, due to the difficulties in the exportation of capital, Mr. Cui and Mr. Tingley are currently setting up a partnership in America. The company will set up a US bank account and start to buy materials via that bank account. Over time Poly will build a credit history in the US in hopes that it can have easier access to hard currencies. The hard currency for this venture will come from a portion of Poly’s profits. Poly uses creative currency exchange practices. In some cases Poly will use the assistance of a foreign venture or a large established Chinese companies to exchange currency. The
companies that exchange currency for Poly need RenMinBi to cover their domestic costs. The companies that assist Poly with currency exchange deal in large government approved exporting. Consequently, these companies receive large blocks of foreign currency. In most cases the foreign currency is not brought into China and converted back into RenMinBi because of the exchange difficulty and volatility of the RenMinBi. After funds are exchanged, the hard currency is wire transferred to Poly’s account in the United States or to materials companies’ bank accounts. It is also important to note that Chinese companies have a more difficult time wiring money out of China. Individuals can wire transfer money easier. Therefore, Mr. Cui or Shi Chun usually wire transfer money personally, not as Poly Advertising and Engineering Company.

Setting up a US company will also allow Mr. Cui easier access in traveling to the United States.
Summary

In 1992, Mr. Cui Gui Sen started Poly Advertising and Engineering in Beijing, China. Mr. Cui has an art degree from Beijing Art University and has over ten years of sign manufacturing experience with the Chinese Army. After getting out of the service, Mr. Cui went to work for Golden Horse Advertising, a Chinese company. There he learned the basics of the China Outdoor Advertising trade. During the Summer of 1995, Mr. Cui purchased a new manufacturing facility that will allow Poly to grow with the China market.

The opportunity surfaced to establish Poly when a number of factors converged.

1) 3M the major material supplier for Golden Horse decided to distribute its own materials, severing ties with Golden Horse. As a result Golden Horse closed its outdoor advertising business.

2) Numerous foreign sign material companies were searching for China distributors, including the companies that lost distribution due to Golden Horse's market exit. Mr. Cui knew most of the reputable foreign material manufacturers and their Asian sales representatives and started to buy limited inventory quantities.

3) A company, New Trend Promotions, was introduced to Poly for the purpose of supplying subcontract labor to aid in the installation of KFC signage. New Trend was owned by a Hong Kong based sign materials distributor.

4) The Chinese government encouraged, recognized Chinese private companies and began a more open economic policy.

5) Thom Tingley former Marketing Director for New Trend Promotions left his position in Hong Kong and agreed to assist Mr. Cui in Poly’s organization. Mr. Tingley also agreed to assist in the establishment of numerous relationships with both materials manufacturers and reputable companies that use outdoor signage in volume quantities.

The China market remains very lucrative for domestic and foreign businessmen. The China economy has maintained double digit growth for the past three years and is projected to maintain that rate for the next three years. Many foreign owned companies such as McDonald’s, KFC, Pizza Hut, Baskin Robbins, Dunkin’ Donuts, Shell Oil, Exxon, and Wal-Mart have recognized the potential of the China market and have implemented aggressive marketing strategies. These businesses all value their visible image and use outdoor signage.

Beijing is an ideal location for Poly’s operations because of the following factors:

- Close proximity to major international office complexes
- Close proximity to transportation (boat, air, rail and truck)
- Close proximity to all governmental offices
Poly Advertising and Engineering: A Business Plan

- Close proximity to top national universities to draw employees from
- Attractive grounds and meeting areas
- Affordable
- Good telecommunications infrastructure

Poly’s marketing strategy includes:
- the use of its service oriented work-force and quality products
- target large multiple location companies that value corporate image
- use of company pricing, packaging, customer recruitment/development, budgeting, and communications strategies

Poly’s operations are well defined. Corporate leadership is provided by Mr. Cui for overall company and marketing policy, Ms. Shi Chun for financial and administrative policy, Mr. Go for manufacturing policy, and Mr. Tingley for materials sourcing, and technology transfer.

Poly’s domestic financial situation is good. However, Poly currently cannot obtain credit because the RenMinBi is not freely exchanged internationally and Poly is a Chinese company. Therefore Poly must continue to make purchases with hard currency obtained on the black market. On the bright side, Poly has been profitable since its establishment and is projected to grow at a rate of at least 25% for the next three years. This is due to the growth of Poly’s clients and growth of China’s economy.

Poly’s future holds at least three new ventures. Poly will extend its product and service lines by offering complimentary goods and services to its existing clients (ie. children’s playgrounds, traffic flow management). Poly will start two new businesses. The first business will supply sign materials to other sign making companies throughout China. Second, Poly will open a commercial laundry service. All of these ventures will assist Poly in its growth by reinvesting profits, while maximizing its knowledge base as well as corporate and personal contacts.
Appendices.

Appendix One: Financial Exhibits

Balance Sheet
Income Statements
Statement of Cash Flows
Monthly Break Even Analysis & Graph
Financial Ratio & Balance Sheet Comparisons
Net Present Value Analysis
# Projected Balance Sheets

## Assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>2,718,000</td>
<td>6,332,443</td>
<td>9,277,860</td>
<td>7,743,489</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>1,000,000</td>
<td>205,860</td>
<td>198,356</td>
<td>229,848</td>
</tr>
<tr>
<td>Inventory</td>
<td>500,000</td>
<td>532,165</td>
<td>536,355</td>
<td>512,234</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>4,218,000</td>
<td>7,070,468</td>
<td>10,012,571</td>
<td>8,485,570</td>
</tr>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Building</td>
<td>330,000</td>
<td>330,000</td>
<td>330,000</td>
<td>330,000</td>
</tr>
<tr>
<td>Less Depreciation</td>
<td>(13,200)</td>
<td>(13,200)</td>
<td>(26,400)</td>
<td>(39,600)</td>
</tr>
<tr>
<td>Equipment</td>
<td>750,000</td>
<td>1,600,000</td>
<td>1,600,000</td>
<td>6,600,000</td>
</tr>
<tr>
<td>Less Depreciation</td>
<td>(50,000)</td>
<td>(196,400)</td>
<td>(302,800)</td>
<td>(727,800)</td>
</tr>
<tr>
<td>Furniture &amp; Fixtures</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Less Depreciation</td>
<td>(60,000)</td>
<td>(60,000)</td>
<td>(120,000)</td>
<td>(180,000)</td>
</tr>
<tr>
<td>Other Fixed Assets</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less Depreciation</td>
<td>(60,000)</td>
<td>(60,000)</td>
<td>(120,000)</td>
<td>(180,000)</td>
</tr>
<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>1,256,800</td>
<td>1,960,400</td>
<td>1,780,800</td>
<td>6,282,600</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>5,474,800</td>
<td>9,030,868</td>
<td>11,793,371</td>
<td>14,768,170</td>
</tr>
</tbody>
</table>

## Liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>500,000</td>
<td>31,800</td>
<td>112,600</td>
<td>15,764</td>
</tr>
<tr>
<td>Taxes Payable</td>
<td>150,000</td>
<td>861,197</td>
<td>1,282,966</td>
<td>1,394,473</td>
</tr>
<tr>
<td><strong>Total Current Debt</strong></td>
<td>650,000</td>
<td>892,997</td>
<td>1,395,566</td>
<td>1,410,237</td>
</tr>
<tr>
<td><strong>Long-term Debt</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Loan (Loan1+Loan2)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Long-term Debt</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Debt</strong></td>
<td>650,000</td>
<td>892,997</td>
<td>1,395,566</td>
<td>1,410,237</td>
</tr>
</tbody>
</table>

## Equity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Common Stock</strong></td>
<td>4,000,000</td>
<td>4,000,000</td>
<td>4,000,000</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>824,800</td>
<td>4,137,871</td>
<td>6,397,805</td>
<td>9,357,933</td>
</tr>
<tr>
<td><strong>Owners Equity</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>4,824,800</td>
<td>8,137,871</td>
<td>10,397,805</td>
<td>13,357,933</td>
</tr>
<tr>
<td><strong>Total Debt + Equity</strong></td>
<td>5,474,800</td>
<td>9,030,868</td>
<td>11,793,371</td>
<td>14,768,170</td>
</tr>
</tbody>
</table>
### INCOME STATEMENT PROJECTIONS, YEAR 1996

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>JAN</th>
<th>FEB</th>
<th>MARCH</th>
<th>APRIL</th>
<th>MAY</th>
<th>JUNE</th>
<th>JULY</th>
<th>AUG</th>
<th>SEPT</th>
<th>OCT</th>
<th>NOV</th>
<th>DEC</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>365,000</td>
<td>511,000</td>
<td>365,000</td>
<td>511,000</td>
<td>693,500</td>
<td>693,000</td>
<td>730,000</td>
<td>1,168,000</td>
<td>730,000</td>
<td>438,000</td>
<td>511,000</td>
<td>284,000</td>
<td>7,295,500</td>
</tr>
<tr>
<td>NET PROFIT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LESS UNECOLLECTABLES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LESS RETURNS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ADJUSTED REVENUES</td>
<td>365,000</td>
<td>511,000</td>
<td>365,000</td>
<td>511,000</td>
<td>693,500</td>
<td>693,000</td>
<td>730,000</td>
<td>1,168,000</td>
<td>730,000</td>
<td>438,000</td>
<td>511,000</td>
<td>284,000</td>
<td>7,295,500</td>
</tr>
<tr>
<td>COST OF SALES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MATERIAL(SOLD)</td>
<td>120,450</td>
<td>168,630</td>
<td>120,450</td>
<td>168,630</td>
<td>228,855</td>
<td>228,690</td>
<td>240,900</td>
<td>385,440</td>
<td>240,900</td>
<td>144,540</td>
<td>168,630</td>
<td>192,720</td>
<td>2,408,835</td>
</tr>
<tr>
<td>DIRECT LABOR</td>
<td>1,825</td>
<td>2,555</td>
<td>1,825</td>
<td>2,555</td>
<td>3,468</td>
<td>3,465</td>
<td>3,650</td>
<td>5,840</td>
<td>3,650</td>
<td>2,190</td>
<td>2,555</td>
<td>2,920</td>
<td>36,499</td>
</tr>
<tr>
<td>TOTAL COST OF SALES</td>
<td>122,275</td>
<td>171,185</td>
<td>122,275</td>
<td>171,185</td>
<td>232,323</td>
<td>232,155</td>
<td>244,550</td>
<td>391,280</td>
<td>244,550</td>
<td>146,730</td>
<td>171,185</td>
<td>195,660</td>
<td>2,445,333</td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCOUNTING/LEGAL</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>1,600</td>
<td>19,200</td>
</tr>
<tr>
<td>MARKETING</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>120,000</td>
</tr>
<tr>
<td>TRAVEL &amp; TRAVEL</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>11,000</td>
<td>132,000</td>
</tr>
<tr>
<td>DEPRECIATION</td>
<td>10,257</td>
<td>10,067</td>
<td>11,067</td>
<td>12,667</td>
<td>12,667</td>
<td>12,667</td>
<td>12,667</td>
<td>12,667</td>
<td>12,667</td>
<td>12,667</td>
<td>12,667</td>
<td>12,667</td>
<td>146,400</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>12,000</td>
</tr>
<tr>
<td>INTEREST</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>MISC EXPENSES</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>500</td>
<td>6,000</td>
</tr>
<tr>
<td>PAYROLL</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>65,190</td>
<td>782,280</td>
<td></td>
</tr>
<tr>
<td>PAYROLL EXPENSES</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>FREIGHT &amp; CUSTOMS</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>19,850</td>
<td>238,200</td>
</tr>
<tr>
<td>PROP TAXES-REAL ESTATE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>RENT-LEASE</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>12,000</td>
<td>144,000</td>
</tr>
<tr>
<td>REPAIRS &amp; MAINTENANCE</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>1,400</td>
<td>16,800</td>
</tr>
<tr>
<td>SUPPLIES</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>5,500</td>
<td>66,000</td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>10,000</td>
<td>120,000</td>
</tr>
<tr>
<td>UTILITIES</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>1,000</td>
<td>12,000</td>
</tr>
<tr>
<td>DIVIDEND EXPENSE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>NET PROFIT</td>
<td>57,618</td>
<td>153,908</td>
<td>56,818</td>
<td>152,308</td>
<td>273,671</td>
<td>273,338</td>
<td>297,943</td>
<td>589,713</td>
<td>297,943</td>
<td>103,763</td>
<td>152,308</td>
<td>206,853</td>
<td>2,609,681</td>
</tr>
<tr>
<td>PERIOD</td>
<td>1ST QTRR</td>
<td>2ND QTRR</td>
<td>3RD QTRR</td>
<td>4TH QTRR</td>
<td>TOTAL</td>
<td>1ST QTRR</td>
<td>2ND QTRR</td>
<td>3RD QTRR</td>
<td>4TH QTRR</td>
<td>TOTAL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>---------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
<td>---------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REVENUES</td>
<td>1,498,000</td>
<td>2,277,000</td>
<td>3,150,000</td>
<td>1,840,000</td>
<td>8,575,000</td>
<td>1,713,500</td>
<td>2,618,250</td>
<td>3,622,500</td>
<td>2,116,000</td>
<td>10,670,500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNCOLLECTABLES</td>
<td>3,725</td>
<td>5,693</td>
<td>7,875</td>
<td>4,600</td>
<td>21,893</td>
<td>490</td>
<td>600</td>
<td>530</td>
<td>500</td>
<td>2,120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL ADJUSTED REVENUES</td>
<td>1,491,775</td>
<td>2,272,693</td>
<td>3,142,125</td>
<td>1,835,400</td>
<td>8,355,706</td>
<td>1,713,010</td>
<td>2,617,950</td>
<td>3,621,970</td>
<td>2,115,500</td>
<td>10,658,430</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COST OF SALES</td>
<td>491,700</td>
<td>751,410</td>
<td>1,039,500</td>
<td>607,200</td>
<td>2,899,810</td>
<td>565,455</td>
<td>864,122</td>
<td>1,195,425</td>
<td>698,280</td>
<td>3,223,282</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MATERIAL (SOLD)</td>
<td>7,450</td>
<td>11,385</td>
<td>17,750</td>
<td>9,200</td>
<td>43,705</td>
<td>8,580</td>
<td>13,093</td>
<td>18,113</td>
<td>10,580</td>
<td>50,535</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIRECT LABOR</td>
<td>1,500</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>12,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>12,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL COST OF SALES</td>
<td>499,150</td>
<td>762,795</td>
<td>1,055,230</td>
<td>616,400</td>
<td>2,933,359</td>
<td>574,023</td>
<td>877,214</td>
<td>1,213,338</td>
<td>708,860</td>
<td>3,373,634</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GROSS PROFIT</td>
<td>987,125</td>
<td>1,508,513</td>
<td>2,098,875</td>
<td>1,219,000</td>
<td>5,801,513</td>
<td>1,138,988</td>
<td>1,740,736</td>
<td>2,408,433</td>
<td>1,406,640</td>
<td>6,694,796</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXPENSES</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCOUNTING/Legal</td>
<td>5,184</td>
<td>5,184</td>
<td>5,184</td>
<td>5,184</td>
<td>20,736</td>
<td>5,280</td>
<td>5,280</td>
<td>5,280</td>
<td>5,280</td>
<td>21,200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADVERTISING</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>120,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>120,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AUTO &amp; TRAVEL</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
<td>132,000</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
<td>33,000</td>
<td>132,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEPRECIATION</td>
<td>50,700</td>
<td>50,700</td>
<td>50,700</td>
<td>50,700</td>
<td>202,800</td>
<td>50,700</td>
<td>175,700</td>
<td>175,700</td>
<td>175,700</td>
<td>577,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INSURANCE</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>12,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>12,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTEREST</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MISC EXPENSES</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>6,000</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>1,500</td>
<td>6,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAYROLL</td>
<td>98,400</td>
<td>98,400</td>
<td>98,400</td>
<td>98,400</td>
<td>393,600</td>
<td>143,400</td>
<td>143,400</td>
<td>143,400</td>
<td>143,400</td>
<td>573,600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PAYROLL EXPENSES</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROP TAXES-REAL ESTATE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RENT</td>
<td>36,000</td>
<td>36,000</td>
<td>36,000</td>
<td>36,000</td>
<td>144,000</td>
<td>36,000</td>
<td>36,000</td>
<td>36,000</td>
<td>36,000</td>
<td>144,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REPAIRS &amp; MNTNC</td>
<td>4,200</td>
<td>4,200</td>
<td>4,200</td>
<td>4,200</td>
<td>16,800</td>
<td>4,200</td>
<td>4,200</td>
<td>4,200</td>
<td>4,200</td>
<td>16,800</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SUPPLIES</td>
<td>16,500</td>
<td>16,500</td>
<td>16,500</td>
<td>16,500</td>
<td>66,000</td>
<td>16,500</td>
<td>16,500</td>
<td>16,500</td>
<td>16,500</td>
<td>66,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>120,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>120,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UTILITIES</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>12,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>3,000</td>
<td>12,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXECUTIVE SALARIES</td>
<td>107,400</td>
<td>107,400</td>
<td>107,400</td>
<td>107,400</td>
<td>429,600</td>
<td>107,400</td>
<td>107,400</td>
<td>107,400</td>
<td>107,400</td>
<td>429,600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIVIDEND EXPENSE</td>
<td>203,476</td>
<td>412,031</td>
<td>643,376</td>
<td>1,258,884</td>
<td>296,226</td>
<td>244,183</td>
<td>436,882</td>
<td>703,961</td>
<td>1,083,253</td>
<td>1,083,253</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>478,434</td>
<td>478,434</td>
<td>478,434</td>
<td>478,434</td>
<td>1,913,736</td>
<td>523,530</td>
<td>648,530</td>
<td>648,530</td>
<td>648,530</td>
<td>2,469,120</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET PROFIT</td>
<td>508,691</td>
<td>1,030,079</td>
<td>1,608,441</td>
<td>740,566</td>
<td>3,887,777</td>
<td>615,458</td>
<td>1,092,206</td>
<td>1,759,903</td>
<td>758,110</td>
<td>4,225,676</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# CASH FLOW PLANNING SHEET, 1997 & 1998

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>1ST QRTR</th>
<th>2ND QRTR</th>
<th>3RD QRTR</th>
<th>4TH QRTR</th>
<th>1997 TOTAL</th>
<th>1ST QRTR</th>
<th>2ND QRTR</th>
<th>3RD QRTR</th>
<th>4TH QRTR</th>
<th>1998 TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>CASH ON HAND (BEGINNING)</td>
<td>6,332,443</td>
<td>6,800,223</td>
<td>7,452,267</td>
<td>8,600,574</td>
<td>XXXXXXXX</td>
<td>9,277,860</td>
<td>4,703,570</td>
<td>5,516,234</td>
<td>6,903,011</td>
<td>XXXXXXX</td>
</tr>
<tr>
<td>CASH RECEIPTS</td>
<td>1,040,393</td>
<td>1,589,915</td>
<td>2,199,488</td>
<td>1,284,780</td>
<td>6,114,575</td>
<td>1,199,107</td>
<td>1,832,565</td>
<td>2,333,379</td>
<td>1,480,850</td>
<td>7,047,901</td>
</tr>
<tr>
<td>CASH SALES</td>
<td>473,390</td>
<td>587,188</td>
<td>838,139</td>
<td>707,427</td>
<td>2,606,144</td>
<td>528,590</td>
<td>676,792</td>
<td>966,109</td>
<td>815,426</td>
<td>2,986,917</td>
</tr>
<tr>
<td>COLLECTIONS</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LOAN</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>OWNER'S CONTRIBUTION</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOT CASH RCPTS</td>
<td>1,513,782</td>
<td>2,177,104</td>
<td>3,037,627</td>
<td>1,992,207</td>
<td>8,220,220</td>
<td>1,727,697</td>
<td>2,509,077</td>
<td>3,501,488</td>
<td>2,296,276</td>
<td>10,034,818</td>
</tr>
</tbody>
</table>

**EXPENSES**

| ACCOUNTING LEGAL | 5,184 | 5,184 | 5,184 | 5,184 | 20,736 | 5,280 | 5,280 | 5,280 | 5,280 | 21,120 |
| ADVERTISING | 30,000 | 30,000 | 30,000 | 30,000 | 120,000 | 30,000 | 30,000 | 30,000 | 30,000 | 120,000 |
| AUTO & TRAVEL | 33,000 | 33,000 | 33,000 | 33,000 | 132,000 | 33,000 | 33,000 | 33,000 | 33,000 | 132,000 |
| INSURANCE | 3,000 | 3,000 | 3,000 | 3,000 | 12,000 | 3,000 | 3,000 | 3,000 | 3,000 | 12,000 |
| INTEREST | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MISC EXPENSES | 1,500 | 1,500 | 1,500 | 1,500 | 6,000 | 1,500 | 1,500 | 1,500 | 1,500 | 6,000 |
| PAYROLL | 98,400 | 98,400 | 98,400 | 98,400 | 393,600 | 143,400 | 143,400 | 143,400 | 143,400 | 573,600 |
| PAYROLL EXPENSES | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PROP TAXES-REAL EST | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PURCHASES | 450,400 | 757,400 | 930,800 | 642,800 | 2,781,400 | 626,056 | 863,436 | 1,061,112 | 732,792 | 3,283,396 |
| RENT | 36,000 | 36,000 | 36,000 | 36,000 | 144,000 | 36,000 | 36,000 | 36,000 | 36,000 | 144,000 |
| REPAIRS & MNTNC | 4,200 | 4,200 | 4,200 | 4,200 | 16,800 | 4,200 | 4,200 | 4,200 | 4,200 | 16,800 |
| SUPPLIES | 16,500 | 16,500 | 16,500 | 16,500 | 66,000 | 16,500 | 16,500 | 16,500 | 16,500 | 66,000 |
| TELEPHONE | 30,000 | 30,000 | 30,000 | 30,000 | 120,000 | 30,000 | 30,000 | 30,000 | 30,000 | 120,000 |
| UTILITIES | 3,000 | 3,000 | 3,000 | 3,000 | 12,000 | 3,000 | 3,000 | 3,000 | 3,000 | 12,000 |
| EXECUTIVE SALARIES | 107,400 | 107,400 | 107,400 | 107,400 | 429,600 | 107,400 | 107,400 | 107,400 | 107,400 | 429,600 |
| DIVIDEND EXPENSE | 0 | 201,476 | 412,031 | 643,376 | 1,258,884 | 290,226 | 246,183 | 436,882 | 703,961 | 1,683,253 |
| TOTAL | 878,134 | 1,185,134 | 1,358,534 | 1,070,534 | 4,492,336 | 1,098,886 | 1,336,266 | 1,533,942 | 1,205,622 | 5,174,716 |

| LOAN PRIN PYMNT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL PURCHASE | 0 | 5,000,000 | 0 | 0 | 5,000,000 | 0 | 0 | 0 | 0 | 0 |
| START-UP COSTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| INCOME TAXES | 167,868 | 339,926 | 530,786 | 244,387 | 1,282,966 | 203,101 | 360,428 | 580,768 | 250,176 | 1,394,473 |
| OWNER WITHDRAWAL | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 1,046,002 | 1,525,060 | 1,889,320 | 1,314,921 | 5,775,302 | 6,301,987 | 1,696,694 | 2,114,710 | 1,455,798 | 11,569,189 |
| CASH POSITION | 6,800,223 | 7,452,267 | 8,600,574 | 9,277,860 | XXXXXXXX | 4,703,570 | 5,516,234 | 6,903,011 | 7,743,489 | XXXXXXX |
## MONTHLY BREAKEVEN ANALYSIS

<table>
<thead>
<tr>
<th>COSTS</th>
<th>FIXED AMOUNT</th>
<th>VARIABLE %</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCOUNTING &amp; LEGAL</td>
<td>1,600.00</td>
<td></td>
</tr>
<tr>
<td>MARKETING</td>
<td>10,000.00</td>
<td></td>
</tr>
<tr>
<td>CAR, DELIVERY, TRAVEL</td>
<td>11,000.00</td>
<td></td>
</tr>
<tr>
<td>DEPRECIATION</td>
<td>10,300.00</td>
<td></td>
</tr>
<tr>
<td>DIRECT LABOR</td>
<td></td>
<td>0.50%</td>
</tr>
<tr>
<td>INSURANCE</td>
<td>1,000.00</td>
<td></td>
</tr>
<tr>
<td>INTEREST</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>MATERIALS</td>
<td></td>
<td>33.00%</td>
</tr>
<tr>
<td>MISC EXPENSES</td>
<td>500.00</td>
<td></td>
</tr>
<tr>
<td>PAYROLL</td>
<td>65,190.00</td>
<td></td>
</tr>
<tr>
<td>PAYROLL EXPENSES</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>FREIGHT &amp; CUSTOMS</td>
<td>19,850.00</td>
<td></td>
</tr>
<tr>
<td>PROP TAXES-REAL EST</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>RENT/LEASE</td>
<td>12,000.00</td>
<td></td>
</tr>
<tr>
<td>REPAIRS &amp; MAINTENANCE</td>
<td>1,400.00</td>
<td></td>
</tr>
<tr>
<td>SUPPLIES</td>
<td>5,500.00</td>
<td></td>
</tr>
<tr>
<td>TELEPHONE</td>
<td>10,000.00</td>
<td></td>
</tr>
<tr>
<td>UTILITIES</td>
<td>1,000.00</td>
<td></td>
</tr>
<tr>
<td>EXECUTIVE SALARIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>35800</td>
<td></td>
</tr>
</tbody>
</table>

| TOTALS                   | $185,140     | 33.50%     |

**BREAKEVEN POINT**  = 278,406.0  
Price/unit  = 20.0  
Breakeven pt in units  = 13920.3
Break Even Analysis

- Fixed Cost
- Revenue
- Total Cost
### SIC 7312  
Outdoor Advertising Services  
Comparative Balance Sheet and Income Statement

All values in RenMinBi (RMB) @ 8.30 RMB - US$1.00

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$925,110</td>
<td>6,332,443</td>
<td>9,277,860</td>
<td>7,743,489</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>834,117</td>
<td>205,860</td>
<td>198,356</td>
<td>229,848</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>159,244</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>75,829</td>
<td>532,165</td>
<td>536,355</td>
<td>512,234</td>
</tr>
<tr>
<td>Other Current</td>
<td>533,552</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Current</td>
<td>2,547,843</td>
<td>7,978,468</td>
<td>10,012,571</td>
<td>8,485,570</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>3,169,637</td>
<td>1,960,400</td>
<td>1,780,800</td>
<td>6,282,600</td>
</tr>
<tr>
<td>Other Non-Current</td>
<td>1,865,384</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Assets</td>
<td>7,582,872</td>
<td>9,830,968</td>
<td>11,793,371</td>
<td>14,768,170</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>318,479</td>
<td>31,800</td>
<td>112,600</td>
<td>-</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Notes Payable</td>
<td>310,901</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Current</td>
<td>872,031</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Current</td>
<td>1,581,412</td>
<td>892,997</td>
<td>1,395,566</td>
<td>1,410,237</td>
</tr>
<tr>
<td>Other Long Term</td>
<td>2,077,706</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Deferred Credits</td>
<td>83,415</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Worth</td>
<td>3,920,347</td>
<td>8,137,871</td>
<td>10,397,805</td>
<td>13,357,933</td>
</tr>
<tr>
<td>Total Liability &amp; Net Worth</td>
<td>7,582,872</td>
<td>9,830,968</td>
<td>11,793,371</td>
<td>14,768,170</td>
</tr>
<tr>
<td>Net Sales</td>
<td>6,715,646</td>
<td>7,299,500</td>
<td>8,757,000</td>
<td>10,070,550</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>4,009,240</td>
<td>4,854,168</td>
<td>5,801,513</td>
<td>6,694,706</td>
</tr>
<tr>
<td>Net profit After Tax</td>
<td>597,691</td>
<td>2,609,688</td>
<td>3,887,777</td>
<td>4,225,676</td>
</tr>
<tr>
<td>Working Capital</td>
<td>1,046,431</td>
<td>6,177,471</td>
<td>8,617,005</td>
<td>7,075,333</td>
</tr>
</tbody>
</table>
# FINANCIAL RATIOS

<table>
<thead>
<tr>
<th></th>
<th>POLY Year 1</th>
<th>POLY Year 2</th>
<th>POLY Year 3</th>
<th>UQ Media</th>
<th>Industry LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SOLVENCY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current ratio (times)</td>
<td>7.92</td>
<td>7.17</td>
<td>6.02</td>
<td>4.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Quick ratio (times)</td>
<td>7.32</td>
<td>6.79</td>
<td>5.65</td>
<td>3.8</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>COVERAGE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest coverage ratio</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>Operating cash flow to current liability ratio</td>
<td>7.09</td>
<td>6.65</td>
<td>5.49</td>
<td>0.06</td>
<td></td>
</tr>
<tr>
<td><strong>LEVERAGE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long term debt to total assets</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.274</td>
<td></td>
</tr>
<tr>
<td>Total liabilities to equity</td>
<td>10.97%</td>
<td>13.42%</td>
<td>10.56%</td>
<td>15.2%</td>
<td>57.4%</td>
</tr>
<tr>
<td><strong>EFFICIENCY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales to net working capital ratio</td>
<td>1.18</td>
<td>1.01</td>
<td>1.42</td>
<td>22.7</td>
<td>7.9</td>
</tr>
<tr>
<td>Inventory turnover</td>
<td>4.64</td>
<td>5.57</td>
<td>6.40</td>
<td>188</td>
<td>62.9</td>
</tr>
<tr>
<td>Account receivable turnover</td>
<td>34.54</td>
<td>41.33</td>
<td>47.64</td>
<td>18.7</td>
<td>30.7</td>
</tr>
<tr>
<td><strong>PROFITABILITY</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on sales</td>
<td>35.8%</td>
<td>44.5%</td>
<td>42.0%</td>
<td>21.8%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Return on assets</td>
<td>28.9%</td>
<td>33.0%</td>
<td>28.6%</td>
<td>18.1%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Return on equity</td>
<td>32.1%</td>
<td>37.4%</td>
<td>31.6%</td>
<td>28.5%</td>
<td>18.9%</td>
</tr>
</tbody>
</table>
NET PRESENT VALUE FOR VACUUM FORMING MACHINE

This displays the net present value (NPV) for a set of cash flows.

<table>
<thead>
<tr>
<th>NPV DATA INPUTS</th>
<th>INPUT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startup Cash Out Flow</td>
<td></td>
</tr>
<tr>
<td>Discount Rate</td>
<td></td>
</tr>
<tr>
<td>Number of Years</td>
<td></td>
</tr>
<tr>
<td>Number of Periods per Year</td>
<td></td>
</tr>
<tr>
<td>Total Number of Periods</td>
<td>24</td>
</tr>
<tr>
<td>Net Present Value</td>
<td>14107.54843</td>
</tr>
</tbody>
</table>

The purchase price of a state of the art US manufactured vacuum forming machine is approximately 700,000 RMB. Price includes freight and trans...
A 5 meter, quad-print head, double print side ink jet printer is 5,000,000,000 RMB (price includes freight and training).

Must print a minimum of 100 images @ a 6600 RMB profit per month to pay for the printer within the first two years.

<table>
<thead>
<tr>
<th>Period</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>STARTUP</td>
<td>-5000000</td>
</tr>
<tr>
<td>1</td>
<td>660000</td>
</tr>
<tr>
<td>2</td>
<td>660000</td>
</tr>
<tr>
<td>3</td>
<td>660000</td>
</tr>
<tr>
<td>4</td>
<td>660000</td>
</tr>
<tr>
<td>5</td>
<td>660000</td>
</tr>
<tr>
<td>6</td>
<td>660000</td>
</tr>
<tr>
<td>7</td>
<td>660000</td>
</tr>
<tr>
<td>8</td>
<td>660000</td>
</tr>
<tr>
<td>9</td>
<td>660000</td>
</tr>
<tr>
<td>10</td>
<td>660000</td>
</tr>
<tr>
<td>11</td>
<td>660000</td>
</tr>
<tr>
<td>12</td>
<td>660000</td>
</tr>
<tr>
<td>13</td>
<td>660000</td>
</tr>
<tr>
<td>14</td>
<td>660000</td>
</tr>
<tr>
<td>16</td>
<td>660000</td>
</tr>
<tr>
<td>17</td>
<td>660000</td>
</tr>
<tr>
<td>18</td>
<td>660000</td>
</tr>
<tr>
<td>19</td>
<td>660000</td>
</tr>
<tr>
<td>20</td>
<td>660000</td>
</tr>
<tr>
<td>21</td>
<td>660000</td>
</tr>
<tr>
<td>22</td>
<td>660000</td>
</tr>
<tr>
<td>23</td>
<td>660000</td>
</tr>
<tr>
<td>24</td>
<td>660000</td>
</tr>
</tbody>
</table>
Appendix Two: Corporation Documents

Poly’s Limited Warranty
Poly’s Documents of Incorporation
Poly’s Logo/Letterhead
Poly’s Limited Warranty.

Decoration applied by Poly on approved flexible substrates by the following approved Graphic Applications are covered under this warranty:

- Adhesive Backed Vinyl Graphic
- Heat Transferred Graphics
- Screen Printed Graphic
- Eradicated Graphic
- Ink Jet Printed Graphic
- Polycarbonate vacuum-formed signface

Staining and Cleanability are only warranted when a protective coating is used. Please refer this warranty for further explanations.

Packaging, Shipping, Handling, and Installation.

All decorated material must be rolled on a minimum 9 cm inner core/tube with the graphic facing out and interleaved with a suitable paper. Poly will not warrant any material that has been folded, creased, or wrinkled because this causes irreparable damage. To achieve proper tensioning, installation of sign and awning faces, installation of faces should take place at temperatures above 10 degrees Celsius.

Storage.

All stored faces or substrates must be stored in a cool (max. 24 degrees Celsius) dry place, preferably suspended. All finished faces have a shelf life of two years in a roll unless otherwise stated.

Repairs.

Minor puncture or cuts are repairable. Once repaired the warranty may be affected. Poly must be contacted after the repair to determine the warranty’s continued validity.

Cleaning.

Poly requires that all sign and awning faces be cleaned on a regular basis. Without regular cleaning sign and awning faces will stain and discolor. Dirt and pollutants left for prolonged periods of time will promote the growth of mildew on the substrate. Regular cleaning will prevent this from affecting the sign or awning face. Poly will warrant all topcoated sign or awning faces for five years against excessive staining when viewed at a normal viewing distance (distance from top of sign or awning to ground times two, minimum of 4 meters). Cleaning must only take place on the side that the topcoating has been applied. It
is required that all lightboxes have "weep" holes to allow moisture to exit the interior of the lightbox. This will reduce the possibility of mildew. CLEANING MUST TAKE PLACE USING CLEAN COOL WATER AT A PRESSURE NOT EXCEEDING 100 PSI AT A DISTANCE OF ONE METER. DO NOT WIPE WITH A DAMP CLOTH OR USE ANY ABRASIVE CLEANERS. ABRASIVE CLEANERS WILL DAMAGE THE TOPCOATING AND VOID ALL WARRANTIES.

Fading.

Poly warrants, for five years against excessive fading or yellowing to the extent that the display is ineffective for its intended purpose when view at a normal viewing distance.

Material Warranty.

Poly's material warranty includes blowout, mildew, wicking, delamination, and seams from separating. Blowouts resulting from wind velocities exceeding those for which the sign or awning structure were not designed are not warranted. Blowouts are warranted if Poly designs, manufactures, and installs said sign or awning.

Mildew occurs when dirt and moisture are permitted to settle and remain on sign and awning substrates for prolonged periods of time. Mildew can be prevented by cleaning.

Wicking is the absorption of moisture containing dirt or pollutants into the sign or awning substrates polyester fibers, called scrim. Poly warrants that this absorption shall be no longer than 12mm.

Delamination is the separation of the vinyl from the scrim. Poly warrants against all delamination.

Seams are two pieces of substrate joined together by ultrasonic radio frequency welding to produce a larger substrate. Poly warrants that these seams will not separated under the same conditions as mentioned in Blowout above.

Workmanship.

Poly warrants all finished aluminum lightboxes and awnings, including paint, welds, ballasts, wiring, tensioned topcoated faces it manufacturers and installations will be free from defect and will maintain its functionality for a period of at least five years. Bulbs are warranted for 60 days from the date of installation.
Poly's Method of Replacement.

In the event of a failure due to any of the causes mentioned in the warranty, Poly's liability is limited to the replacement of the failed material at current price pro-rated for the number of months remaining under the warranty. The defective material under warranty must be returned to Poly for final inspection. The mode of transportation will be determined and paid for by Poly. Poly will pay freight on the replacement of the defective material. There will be no replacement after the warranty period or is Poly is not notified of the problem within 60 days.

Notice!

Warranties do not include damage caused by vandalism, improper use, negligence, improper installation (if sign or awning is not installed by Poly), or mishandling. Poly will not warrant any non-topcoated faces against fading or discoloration, nor will Poly warrant any lightboxes or awnings not constructed entirely of aluminum.

1 Adhesive backed vinyl is warranted by the manufacturer against fading and adhesion. Poly only uses vinyls that carry a minimum three year warranty.
2 Inkjet graphics carry a maximum two year warranty on fading.
3 Polycarbonate vacuum-formed signage carries no warranty against blowout or breakage.
企业法人
营业执照
（副本）
注册号 01011876

发照机

1993年 8月 28日
企业名称：北京宝丽广告工程公司
住所：北京市东城区崇文门西大街9号
法定代表人：崔贵来
注册资本：120.00万元
经济性质：集体所有制
经营方式：
经营范围：主营：经营，代理国内外广告，市场调查，公关策划，企业形象设计服务，装饰装修，组织展览，广告艺术交流。
兼营：批发，零售，代销，百货，五金，交电，装饰材料。
Appendix Three: Company Mission Statement
No involvement, No commitment.¹

Mission statements are vital to the success of organizations and Everyone within the organization should participate to set the organizational goals of the company. The involvement is as important as the product and the key to its use.

Poly’s mission statement is the constitution that reminds members of the things that matter most and provides directions for problem solving.

Poly’s mission statement is:

To work in harmony and dignity with one another to make Poly’s clients’ jobs easier and more affordable, while adding value to their corporate image.

To fulfill this mission each division, section, and individual will define what is important to the individual to meet Poly’s organizational mission.

¹Covey, Steven R., (1990) Seven Habits of Highly Effective People, Fireside Books
Appendix Four: Location Maps, Photographs, Etc.
Poly Advertising and Engineering's Headquarters
9 West Chongwenmen Street, Building 4
Beijing, China

West Chongwenmen Street
Map Five

Poly Advertising and Engineering
Manufacturing Facility 1995
Outside Wall Dimensions: 30 m by 40 m
Appendix Five: Reading List


Big. (April 13, 1995) The Economist, p 78.


China to increase state control over ad industry. (August 29, 1994) Advertising Age, p37.

China’s power to harm the planet (September 19, 1995) The Wall Street Journal, p B4, col. 5.


Newspaper Advertising 's Growing Field (July 22, 1993). Xinhua News Agency


