

STATEMENT OF ACTIVE BUSINESS PURSUITS

ACTIVE BUSINESS PURSUITS

During the year ended 30th June, 1999, the Group was principally engaged in the fabrication of PCBs. During the year ended 30th June, 2000, the Group gradually extended its operations into the EMS business which included the design, development and provision of comprehensive PCB solutions. The business carried out by the Group during this period included the following :

- (1) pre-sale engineering services;
- (2) PCB layout design;
- (3) quick-turn prototyping and pre-production; and
- (4) volume production.

Set out below is a summary of the active business pursuits of the Group for the period from 1st July, 1998 up to the Latest Practicable Date.

Business development during the year ended 30th June, 1999

Revenue and profit

- Total turnover of approximately HK\$37.8 million with profit after tax and minority interests of approximately HK\$1.8 million.
- During this year, approximately 95 per cent. of the Group's sales were domestic sales in the PRC.

Product and service launches

- During the period, the Group was engaged in the fabrication of high precision double-sided PCBs while commencing volume production on multilayer PCBs. The Group also introduced advanced equipment and devices for the production and testing of PCBs from manufacturers of the US, Germany, Italy, Belgium and Japan. Such equipment enabled the Group to meet the stringent requirements for producing high precision PCBs.
- In May 1999, the Group established an EMS steering committee whose duties include overseeing the implementation of the Group's EMS strategy and related new business developments.

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— The following table sets out the details of the PCBs manufactured by the Group during this period:

Type	Sales <i>(in HK\$'000)</i>	Gross area <i>(in square metres)</i>	Gross profit margin <i>(%)</i>
Single and double-sided PCBs	30,065	45,139	34.44
Multilayer PCBs	7,762	5,767	53.31
Total	37,827	50,906	

— Attained the UL safety standard of the US and CCEE of the PRC.

— Able to comply with the IPC and the MIL standards in the US.

Research and development

— Commenced the development of metal-based multilayer PCBs (which are capable of cooling off heat generated from other electronic components.)

— Maintained a team of 67 development, process and production engineers.

Sales and marketing

— As at 30th June, 1999, the Group had a sales force comprising 22 sales and 4 marketing personnel.

— Sold to over 59 customers.

— Secured major new customers including Newland in the computer industry, Start Network in the information technology industry, Amoisonic, Overseas Chinese Electronics and SAST in the consumer electronics industry.

— Established sales offices in Hong Kong, Chengdu, Fuzhou, Xiamen, Shenzhen and Shanghai.

Human resources

— The Group successfully recruited some industry specialists in the PCB industry to assist in the development of its PCB business with a total headcount of over 300 employees as at 30th June, 1999.

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Capital

- Received in December 1998 a RMB200,000 endowment technology research fund, being the first instalment of the total subsidy of RMB300,000 from the Fujian Province Science and Technology Commission# (福建省科學技術委員會), for the development of fabrication technology on eight to 12 layers PCBs. This research fund was granted on a project by project basis with no specific restrictions on the application of funds granted.

Award and certification

- Accredited by the Fujian Province Science and Technology Commission# (福建省科學技術委員會) as a new and high technology enterprise in both November 1998 and March 1999.

Business development during the year ended 30th June, 2000

Revenue and profit

- Total turnover of approximately HK\$81.8 million with profit after tax and minority interests of approximately HK\$8.6 million, representing approximately 116 per cent. and 383 per cent. increase over the previous year respectively.
- During this period, approximately 76 per cent. of the Group's sales were domestic sales in the PRC, while overseas sales represented the remaining approximately 24 per cent..

Product and service launches

- During this period, the Group achieved the technology of fabricating 12 layers PCBs and successfully improved its capability to fabricate PCBs of up to 20 layers. The Group also commenced preparatory work for the provision of EMS, which included employment and redeployment of staff, research and development and planning.
- The following table sets out the details of the PCBs manufactured by the Group during this period:

Type	Sales <i>(in HK\$'000)</i>	Gross area <i>(in square metres)</i>	Gross profit margin <i>(%)</i>
Single and double-sided PCBs	52,896	79,581	38.57
Multilayer PCBs	28,950	18,334	56.43
Total	<u>81,846</u>	<u>97,915</u>	

- During the year ended 30th June, 2000, the Group established an engineering outsourcing team of 4 engineers for the provision of “design-for-manufacturability” services to two of its key customers.

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Research and development

- Commenced the development of PCMCIA PCBs.
- Expanded its engineering team to 93 development, process and production engineers.

Sales and marketing

- As at 30th June, 2000, the Group's sales force comprised 21 sales and five marketing personnel.
- Sold to over 75 customers.

Human resources

- At 30th June, 2000, the number of employees of the Group increased to 474, of whom 75 were engaged in research, product development and design, 45 in management and administration, 30 in quality control, 291 in production, 26 in sales and marketing and nine in finance.

Capital

- Received in July 1999 RMB100,000 from Fujian Province Science and Technology Commission[#] (福建省科學技術委員會), being the balance of the endowment technology research fund for the development of fabrication technology on eight to 12 layers PCBs, as mentioned under the paragraph headed "Capital" in the period ended 30th June, 1999 in this section of this prospectus.
- Received in March 2000 a RMB300,000 endowment technology research fund from the Fujian Province Science and Technology Commission[#] (福建省科學技術委員會) for the development of fabrication technology on metal-based multilayer PCBs to be used in the aerospace industry in the PRC. This research fund was granted on a project by project basis with no specific restrictions on the application of funds granted.

Award and certification

- In July, 1999, the Group received ISO 9002 certification (please refer to the description under the paragraph headed "Quality control" under the section headed "Business" in this prospectus).

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Business development from 1st July, 2000 up to the Latest Practicable Date

Revenue and profit (for the five months ended 30th November, 2000)

- Total turnover of approximately HK\$62.4 million with profit after tax and minority interests of approximately HK\$22.5 million.
- During this period, approximately 73 per cent. of the Group's sales were domestic sales in the PRC, while the remaining approximately 27 per cent. represented overseas sales.

Research and business development

- In December 2000, Superford entered into a lease agreement with an independent third party for the leasing of office premises at Room 2807, 28th Floor, China Resource Building, 26 Harbour Road, Wanchai, Hong Kong with a gross floor area of approximately 1,239 square feet. The lease is for a term of one year nine months and sixteen days commencing from 1st October, 2000 to 16th July, 2002.
- In order to promote further development, the Group has established strategic partnerships with two customers, namely Newland and Start Network, with an aim to consolidate and capitalise on the technology, resources and competitive advantages of the Group and these customers for more efficient product development and commercialisation.
- In July 2000, the Group entered into a non-exclusive strategic alliance agreement with Electronic Research Institute. According to the agreement, a joint engineering design centre will be established to engage in, among others, the initial design of PCBs, PCB layout design, sub-system design services, and system-level applications and technology solutions development.
- In December 2000, the Group established its headquarters in Hong Kong for the purposes of, among others, future business developments in the overseas market and future corporate activities of the Group.

Sales and marketing

- As at the Latest Practicable Date, the Group's sale force comprised 24 sales and eight marketing personnel.

Human resources

- As at the Latest Practicable Date, the total number of employees of the Group increased to 498, of whom 80 were engaged in engineering design and support, 44 in management and administration, 30 in quality control, 30 in product testing, 32 in sales and marketing and 11 in finance.

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Capital

- Received in August 2000 a RMB100,000 endowment technology research fund for the development of GaN-based blue laser diodes (氮化鎵藍光二極管) from the Fujian Province Bureau of Science and Technology* (福建省科學技術廳), and in November 2000 a RMB300,000 endowment technology research fund for the development of fabrication technology on PCMCIA PCBs from the Fujian Province Bureau of Science and Technology* (福建省科學技術廳). These research funds were granted on a project by project basis with no specific restrictions on the application of the funds granted.