
SUMMARY

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

There are risks associated with any investment. Some of the particular risks of investing in the New Shares are set forth in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the New Shares.

OVERVIEW OF THE BUSINESS OF THE GROUP

Business

The Group is principally engaged in the manufacture and sale of a broad range of double-sided and multilayer printed circuit boards (PCBs). The Group has a global customer base comprising principally Electronics Manufacturing Services (EMS) companies and Original Equipment Manufacturers (OEMs) which are engaged in the production of a diverse range of products for personal computers (PC) and PC-related industries, as well as the telecommunications, office components, security, instrumentation equipment and consumer products industries.

The Group has manufactured PCBs of up to 14 layers and has developed prototypes of PCBs of up to 26 layers. The Group has also manufactured PCBs with circuit track spacing/line width from 0.003 inch to 0.006 inch. The Group is certified by Underwriters Laboratories Inc., an independent non-profit product safety testing and certification organisation, as capable of producing PCBs with circuit track width of 0.002 inch. In addition, the Group has manufactured, on a small scale, hybrid construction of PCBs using two different types of materials to fabricate high performance material PCBs (for example high frequency and high thermal resistance).

The Group intends to enhance its product mix by increasing the percentage of output of higher layer PCBs and further invest in plant and machinery, and R&D. As higher layer PCBs generally command higher profit margins, the Directors believe that successful implementation of such strategy will have a significant positive impact on the profitability of the Group in the near future.

According to a survey conducted by an industrial magazine published by a publisher based in the US in 2001, the Group was ranked 15th amongst PCB companies in the Asia Pacific region (excluding Japan), and 52nd amongst the top 100 largest PCB companies in the world based on revenue generated in the year 2000. Among these top 100 largest PCB companies, 25 PCB companies were from the Asia Pacific region (excluding Japan).

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Sales and marketing

Currently, the Group supplies PCBs to customers located in Hong Kong, Taiwan, the PRC, other Asian countries, North America and Europe. With its administrative headquarters in Hong Kong, the Group has marketing offices in Singapore, Malaysia, Thailand, Taiwan, UK and the US for the marketing and promotion of PCB products. These marketing offices also serve as contact points where customer feedback and other industry information are relayed to the Group's headquarters in Hong Kong.

Manufacturing facilities

The Group's manufacturing facilities are located in Shekou, Shenzhen, the PRC. As at the Latest Practicable Date, the Group had production facilities of a combined floor area of approximately 55,989 sq.m. and employed over 4,000 employees. Based on the current product mix which concentrates on two to 14 layer PCBs as well as its existing facilities, the Group has a monthly production capacity of approximately 1.3 million sq.ft.. The Group plans to upgrade the equipment in its existing production facilities so as to increase its monthly production capacity to approximately 1.5 million sq.ft. by July 2002.

To lay the foundations of future growth, the Group commenced construction of new production facilities in Shekou, Shenzhen, the PRC, in March 2001. Details of the expansion are set forth in the paragraph headed "Future plans" in the section headed "Future plans, reasons for and proposed use of proceeds from the New Issue" in this prospectus.

COMPETITIVE STRENGTHS

The Directors believe that the following are the Group's competitive strengths:—

Ability to provide a comprehensive range of products and services

The Group utilises both engineering and technical capabilities, as well as the ability to customise manufacturing solutions, to meet the varying needs of customers and to provide value-added services. One of these services is the offer of a high mix low volume (HMLV) programme, under which the Group produces different types of PCBs for its customers at a relatively low volume. It does not only provide the Group's customers with flexibility in production planning, but also enables them to maintain minimum inventory at all times, which has a direct and significant impact on their profitability. The Group also has the ability to provide its customers with a wide range of products with different surface finishings, such as gold tap plating, immersion silver, immersion gold, Entek (a type of surface finishing which contains anti-tarnish chemicals) and hot air levelling.

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Ability to produce and deliver quality products

The ability to generate a consistent level of quality products and thereby foster customer confidence is essential in the PCB industry. As such, great emphasis is placed by the Group on quality control and assurance in the manufacturing process. In order to enhance efficiency in production and the Group's production capabilities of manufacturing high-end products, the Group has installed automation equipment for the production of high-end products and better materials handling. For example, the Group uses laser direct imaging to enhance its fine line photo processing so that image transfer operations are conducted by using laser techniques instead of the conventional photo exposure techniques. Sophisticated lamination tooling is also used to produce layer to layer registration with high degree precision for multilayer PCB products. Techniques for the production of high density interconnect (HDI) PCBs are also under development by the Group. In this regard, the Group has invested in laser drilling equipment for drilling microvia holes in HDI products.

The Group has implemented a quality management system that is based on the requirements of ISO 9002 and QS 9000. In 1994 and 1995, Topsearch Shenzhen and Topsearch HK were respectively awarded the ISO 9002 certifications. In 1999, the Group was awarded the QS 9000 certification. These accreditations demonstrate that the production facilities of the Group have reached internationally recognised quality standards. In addition, the Group adopts various quality control measures at each of the principal stages of production, particulars of which are set forth under the paragraph headed "Production" in the section headed "Business" in this prospectus, so as to maintain the overall product quality of the Group. During each of the three years ended 31 December, 2001, sales returns of the Group represented only approximately 0.7%, approximately 0.4% and approximately 0.7% of the Group's turnover, respectively.

As at the Latest Practicable Date, the Group's quality assurance team comprised over 100 employees. The quality assurance team is responsible for ensuring quality at every stage of the production process. In addition, the team is in frequent contact with the Group's customers through activities such as site visits and factory audits in order to obtain feedback regarding the quality of the Group's products and services.

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Strategically located production facilities in the PRC

The production facilities of the Group are located in Shekou, Shenzhen, the PRC. The relatively low labour costs in the PRC have not only strengthened the competitiveness of the Group in the global PCB market, but have also encouraged various customers of the Group to establish their own manufacturing facilities in the PRC. The Directors believe that the trend of EMS companies and OEMs shifting their production activities to the PRC is irreversible and that the strategic location of the Group's facilities will facilitate its liaison with new customers in the PRC. Goods sold to customers in the PRC are, where requested by the relevant customer, first exported out of the PRC and then re-imported into the PRC. The Directors expect that the percentage of sales to customers in the PRC will increase gradually. During each of the three years ended 31 December, 2001, sales to customers in Hong Kong and the PRC accounted for approximately 19.0%, approximately 28.1% and approximately 25.1% of the Group's total sales, respectively.

Strong customer relationships

The Group has established marketing offices in most of the countries in which its products are marketed, namely, Singapore, Malaysia, Thailand, Taiwan, UK and the US. By virtue of these marketing offices, the Group develops and maintains good customer relationships by providing responsive service and technical as well as after sales support to its customers.

As a commitment to providing total customer service, the Group provides quick turnaround production time (as short as 2 days), 24-hour customer support services and has assigned a dedicated team of personnel for customer account management.

With its continuous efforts, the Group has built good working relationships with many of its customers. The Group's good relationships with its customers are shown by the customer satisfaction certificates and awards received by the Group over the years, particulars of which are set forth under the paragraph headed "Awards and recognitions" below.

Experienced and professional management team

The Group has an experienced and professional management team which contributes its expertise, experience, and industry knowledge and know-how. The Group's management team comprises management staff with, on average, over 10 years of experience in the PCB industry and expertise in various areas of responsibilities.

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Established research and development team

The Directors believe that the advanced R&D capabilities of the Group are amongst the most critical competing factors which distinguish the Group from most of the other PCB manufacturers in Asia. The Group's R&D team has achieved significant developments during the past few years including improving its multilayer technology to support production of high-end 26 layer PCBs, achieving certification for fine line capability of producing circuit track spacing/line width down to 0.002 inch, manufacturing hybrid construction PCBs containing two different types of materials and fabricating high performance (high frequency and high thermal resistance) material PCBs. DFM (Design for Manufactureability) technique is also applied to ensure that the board design is within the Group's process capability.

The Group has formed the Topsearch Technology Board which is responsible for charting the Group's strategic direction and application of technology. Particulars of the Topsearch Technology Board are set forth under the paragraph headed "Research and product development" in the section headed "Business" in this prospectus.

In addition to the Topsearch Technology Board, the Group has an R&D team which is responsible for developing PCBs of 10 layers and above, back panel, microvia technology and other technical developments of the Group. In addition, the Group also cooperates with research institutes to research and develop technology relating to the production of PCBs. The Group is also engaged in R&D projects with Tsinghua University and Hong Kong Polytechnic University. Particulars of the joint research efforts with these institutions are set forth under the paragraph headed "Research and product development" and "Environmental protection" in the section headed "Business" in this prospectus.

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AWARDS AND RECOGNITIONS

Certificates and awards granted by customers

Over the years, the Group has built up good relationships with many of its customers and has received recognitions from some of these customers for product quality and service. Some of the customer satisfaction certificates and awards received by the Group in the last five years are listed below:—

Year	Description of award	Customer	Principal product/ service of the customer
1997	Most Valued Partner Award	Mitac Computer (Shun De) Ltd.	PC & PC peripherals
1997	Supplier Recognition Award	Dovatron (Malaysia) Sdn. Bhd.	EMS
1998	Recognition Award	Maxtor Peripherals (S) Pte Ltd.	Data storage management
1998	Certified Supplier Award	Seagate Technology International	Data storage management
1998	Outstanding Supplier Partner	International Manufacturing Services (Hong Kong) Ltd.	EMS
1998/1999	Best Supplier Award	TEC Singapore Electronics Pte Ltd.	EMS
1999	Partnership “The Competitive Imperative”	Seagate Technology International	Data storage management
1999	Partner in Excellence	Celestica Hong Kong Ltd.	EMS
2000	Best On Time Performance Award	Polycom, Inc.	Telecommunications
2000	Strategic alliances “The Competitive Force”	Seagate Technology International	Data storage management
2000	Outstanding contribution for successful certification and volume ramp on Via in Pad Technology for Intel’s Desk Top Products	Intel Products (M) Sdn. Bhd.	PC & PC peripherals
2001	Recognition of continuous support	Seagate Technology International	Data storage management
2001	Most Valued Partner Award	Mitac International Corp.	PC&PC peripherals

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Other recognitions

The quality of work and achievements of the Group have also been recognised by other authorities and are detailed as follows:—

Year	Description	Authority
1994	ISO9002 for quality management system of Topsearch Shenzhen	SGS Yarsley International Certification Services (UK)
1995	ISO9002 to Topsearch HK	SGS Yarsley International Certification Services (UK)
1999	ISO14001 for environmental management system	SGS Yarsley International Certification Services AG (Zurich)
1999	ISO14001 for environmental management system	Shenzhen Accreditation Centre for Environmental Management System Certification (the PRC)
1999	QS 9000 to both Topsearch Shenzhen and Topsearch HK	SGS Yarsley International Certification Services (UK)

In 2000, Topsearch Shenzhen was ranked by the Ministry of Foreign Trade and Economic Co-operation (對外貿易經濟合作部) of the PRC as one of the largest 500 exporting enterprises in the PRC.

In 2001, Topsearch Shenzhen was ranked by the Statistics Bureau of Shenzhen City as the 42nd largest industrial enterprise in Shenzhen.

In 2002, Topsearch Shenzhen was classified by Shenzhen Economic and Trade Bureau as an advanced technology enterprise.

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TRADING RECORD

The table below sets forth a summary of the audited combined results of the Group for each of the three years ended 31 December, 2001, prepared on the assumption that the current structure of the Group had been in existence throughout the periods under review and is extracted from, and has been prepared in accordance with the basis set forth in section 1 of, the accountants' report, the text of which is set forth in Appendix I to this prospectus.

	<i>Note</i>	Year ended 31 December,		
		1999	2000	2001
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	(a)	953,766	1,148,529	1,149,143
Cost of sales		<u>(672,612)</u>	<u>(833,366)</u>	<u>(833,538)</u>
Gross profit		281,154	315,163	315,605
Other revenue and gains		3,184	8,423	6,939
Selling and distribution costs		(52,714)	(54,358)	(78,479)
Administrative expenses		(74,464)	(75,357)	(94,844)
Other operating expenses		<u>(2,237)</u>	<u>(1,580)</u>	<u>(1,658)</u>
Profit from operating activities		154,923	192,291	147,563
Finance costs		<u>(10,465)</u>	<u>(15,090)</u>	<u>(18,557)</u>
Profit before tax		144,458	177,201	129,006
Tax	(b)	<u>(32,370)</u>	<u>(10,709)</u>	<u>(18,753)</u>
Net profit from ordinary activities attributable to shareholders		<u>112,088</u>	<u>166,492</u>	<u>110,253</u>
Dividends		<u>22,200</u>	<u>63,626</u>	<u>98,000</u>
Earnings per Share — basic	(c)	<u>23.4 cents</u>	<u>34.7 cents</u>	<u>23.0 cents</u>

Notes:—

(a) Turnover

The principal activities of the Group are the manufacture and sale of PCBs. Turnover represents the net invoiced value of goods sold net of discounts and returns.

(b) Tax

Hong Kong profits tax has been provided at the rate of 16% for the three years ended 31 December, 2001 based on 50% of the Group's assessable profits arising in Hong Kong during these periods.

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PRC corporate income tax is provided on the assessable profits generated by a foreign subsidiary of the Company in the PRC, namely Topsearch Shenzhen, at a rate of 15% for the three years ended 31 December, 2001. Topsearch Shenzhen was granted Export Enterprise status in 1999 and 2000 by the Shenzhen Economic Development Bureau (深圳市經濟發展局), and as such, the income tax rate applicable to Topsearch Shenzhen was reduced to 10% from the standard rate of 15% according to “Detailed Rules for the Implementation of the Income Tax Law of the People’s Republic of China for Foreign Investment Enterprises and Foreign Enterprises” (中華人民共和國外商投資企業和外國企業所得稅法實施細則). The status must be certified every year based on a criterion that the export sales of Topsearch Shenzhen must exceed 70% of total sales in any particular year. The Group therefore provisionally paid tax to the PRC authority at the rate of 15% and applied for a refund of 5% once Topsearch Shenzhen has been certified to be eligible for the reduced tax rate of 10% as an Export Enterprise in the subsequent year. As at the Latest Practicable Date, the Group has obtained refund for income tax paid for the year ended 31 December, 1999 and such refund was only recognised in the year of receipt.

(c) **Earnings per Share**

The calculation of basic earnings per Share for each of the three years ended 31 December, 2001 is based on the profit attributable to shareholders for each of the respective periods, and on the assumption that the 480,000,000 Shares in issue and issuable, comprising 10,000,000 Shares in issue as at the date of this prospectus and 470,000,000 Shares to be issued pursuant to the Capitalisation Issue, as described under “Written resolutions of all the shareholders of the Company passed on 30 May, 2002” in Appendix IV to this prospectus as if all these Shares were outstanding throughout the entire relevant period.

For each of the three years ended 31 December, 2001, members of the Group declared a total dividend of approximately HK\$22.2 million, approximately HK\$63.6 million and approximately HK\$98.0 million, respectively. Payment of such dividends was and is expected to be financed by internal resources of the Group.

A detailed discussion of the results of the Group during each of the three years ended 31 December, 2001 is set forth under “Management’s discussion and analysis of financial information and results of operations” in the section headed “Financial information” in this prospectus.

STATISTICS OF THE NEW ISSUE

Offer Price	HK\$1.38
Market capitalisation (<i>Note 1</i>)	Approximately HK\$883.2 million
Adjusted net tangible asset value per Share (<i>Note 2</i>)	Approximately HK\$1.04
Historical price/earnings multiple (<i>Note 3</i>)	6.0 times
Pro forma fully diluted historical earnings per Share (<i>Note 4</i>)	17.54 HK cents
Pro forma fully diluted historical price/earnings multiple (<i>Note 5</i>)	7.87 times

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Notes:—

1. The calculation of the market capitalisation takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.
2. The adjusted net tangible asset value per Share is arrived at after making the adjustments set forth under “Adjusted net tangible assets” in the section headed “Financial information” in this prospectus and on the basis of a total of 640,000,000 Shares in issue and expected to be issued under the New Issue and the Capitalisation Issue but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this prospectus.
3. The historical price/earnings multiple is calculated based on the basic earnings per Share of approximately 23.0 HK cents for the year ended 31 December, 2001 and on the Offer Price.
4. The calculation of the pro forma historical earnings per Share on a fully diluted basis is based on the pro forma consolidated profit after tax of the Group for the year ended 31 December, 2001 assuming that the Company had been listed since 1 January, 2001 and a total of 640,000,000 Shares had been in issue during the year, but takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares set forth in the section headed “Written resolutions of all the shareholders of the Company passed on 30 May, 2002” in Appendix IV to this prospectus. The pro forma consolidated profit after tax of the Group for the year ended 31 December, 2001 has been adjusted to take into account the interest income net of tax that would have been earned if the net proceeds from the New Issue were received on 1 January, 2001 at an interest rate of 1.0% (net of tax) per annum.
5. The pro forma historical price/earnings multiple on a fully diluted basis is based on the pro forma earnings per Share on a fully diluted basis for the year ended 31 December, 2001 and on the Offer Price. This takes no account of any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or the exercise of any options which may be granted under the Share Option Scheme or which may be allotted and issued or purchased by the Company pursuant to the general mandates for the allotment and issue or purchase of Shares set forth in the section headed “Written resolutions of all the shareholders of the Company passed on 30 May, 2002” in Appendix IV to this prospectus.

If the Over-allotment Option is exercised in full or in part, the adjusted net tangible asset value per Share will be increased, while earnings per Share on a pro forma fully diluted basis will be reduced correspondingly.

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BUSINESS STRATEGY

It is the Group's vision to be a leading PCB manufacturer in terms of technical capability and production capacity. The Group's business philosophy is to provide high quality products in a cost-effective manner, and its aim is to promote growth of its sales revenue and to improve its profitability by harnessing its competitive strengths. The salient points of the Group's business strategy are as follows.

Increase production capacity

The Group is making on-going efforts to expand its production capacity in response to market demand. Based on the current product mix concentrating on two to 14 layer PCBs and its existing facilities, the Group has a monthly production capacity of approximately 1.3 million sq.ft.. The Group plans to upgrade its equipment so as to increase its monthly production capacity to approximately 1.5 million sq.ft. by July, 2002. As part of this strategy, the Group is expanding its production plant in Shekou, Shenzhen, the PRC. Details of the expansion are set forth under the paragraph headed "Future plans" in the section headed "Future plans, reasons for and proposed use of proceeds from the New Issue" in this prospectus.

Invest in more advanced machinery

The Group has continuously expanded its production capacity and has invested in more advanced equipment. This has allowed the Group to keep pace with rapidly changing production technology and to meet its customers' constant demand for quality products. The Group also seeks to increase automation in its production processes in order to be more cost effective and to minimise human error.

Diversify into higher-end products

During each of the three years ended 31 December, 2001, sales of six to 14 layer PCBs accounted for approximately 14%, approximately 12% and approximately 17% of the total sales of the Group, respectively. The Directors intend to enhance the Group's capability to manufacture PCBs of 10 layers and above with more advanced technology such as microvia, blind and buried via, buried capacitor, buried resistor, back-panel and fine line products. Such PCBs of 10 layers and above will be used in the production of complex assemblies, servers and switches. The target markets for these products will primarily be North America and Europe, as well as EMS companies with assembly plants located in Asia. The Directors believe that such emphasis on higher-end products will provide the Group's customers with a wider range of choices and will enhance the Group's profitability as such products generally command higher profit margins.

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Provide high value-added services

As part of its commitment to providing customers and business partners with value-added services, the Group offers customised alternatives such as HMLV product programmes with lead time of two weeks or shorter. The ability to deliver HMLV products with quick turnaround time generally allows the Group to command a higher premium. Due to its well-established engineering and technical capabilities, the Group is also able to provide its customers with a wide range of products with different surface finishings, such as gold tap plating, immersion silver, immersion gold, Entek (a type of surface finishing which contains anti-tarnish chemicals) and hot air levelling. The Directors believe that the Group's ability to offer a wide range of products and services is important in gaining the confidence of its new customers in its capability.

Maintain low cost structure

The Group closely monitors and reviews its cost structure to ensure that a low cost structure is maintained, while constantly exploring ways to further reduce costs. Firstly, it is the Group's policy to centralise its production and storage facilities in the southern part of the PRC so as to increase operational efficiency and to avoid unnecessary loss during the course of production. Secondly, the Group has, on an on-going basis, implemented cost control measures involving a systematic and purposive approach to reduce costs, increase efficiency, reduce scrap and thereby increase utilisation of raw materials.

Emphasis on long-term customer relationships

Since the commencement of its business, the Group has placed strong emphasis on cultivating long term business relationships with its customers. The Group has developed a culture of sharing information with its customers. The Group maintains good working relationships with its customers by organising regular meetings with them to review their needs in relation to production, product development and cost control and maintains continuous contact through electronic means. A good understanding of its customers enables the Group to better contribute ideas and information for engineering design to its customers. The Group and its customers arrange training sessions for each other to enhance cooperation. The information sharing process helps customers conceive designs for their products with features which enhance production efficiency, and thereby result in cost savings. The Group's philosophy of supporting clients through information sharing has helped the Group secure new contracts as it gets involved at an early stage of product planning with its customers.

FUTURE PLANS

In order to capture the future market demand of PCBs, the Group will focus on ongoing improvements in both its technical capabilities and production efficiency. The Group will engage in continuous R&D activities relating to the production of PCBs and has formulated concrete plans regarding the expansion and upgrading of its production facilities.

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Expansion of production facilities

The Group commenced the construction of its new facilities in Shekou, Shenzhen, the PRC, in March 2001. The construction of the new facilities, which will have a gross floor area of 40,329 sq.m., is expected to be completed by the end of 2002. It is expected that the new facilities will allow the Group to increase the production of PCBs of six layers and above. Based on the expected product mix, the new facilities will have a monthly production capacity of approximately 0.8 million sq.ft..

With the construction of the new production facilities, the Group will continue to invest in equipment and technology to keep pace with the more advanced PCBs that the Group targets to produce. The Group plans to purchase advanced machinery and equipment for high density circuitry PCBs, blind and buried via processing with automation features, fine line processing, high multilayer count products, green PCB development technology, thin core handling, high performance material processing and other advanced processes used in the production.

Research and development

The Group is taking a proactive approach in research and development to cater for the needs of its customers and to enhance its production efficiency with a view to increasing profitability. It is the Group's intentions that in the near future, R&D of the Group will focus on improving engineering capabilities such as laser direct imaging technology to eliminate various intermediate imaging steps, micro size hole drilling development for high density circuitry PCB products, plating products such as back-panel PCBs used in main frame computers which contain small holes and high thickness, and achieving even copper plating distribution to improve overall uniform thickness of PCB panels. In the long term, the Topsearch Technology Board, which comprises senior management staff of the Group specialising in engineering and operations, will continue to devise customer-oriented technology road maps for the Group.

Further penetration into the PRC market

In light of the PRC's entry into the WTO, the Directors anticipate that more EMS companies and OEMs will expand their production facilities in the PRC and which in turn will create opportunities for the Group. With the increased production capability of the Group, the Directors will actively explore the PRC market. Currently, the Group has marketing offices established in Shekou, Shenzhen, the PRC to cover the southern part of the PRC and has marketing staff who regularly visit the production plants of the Group's customers in the central areas of the PRC. The Directors intend to establish an additional marketing office in Shanghai to strengthen its coverage in the central region of the PRC. The Group will also continue to participate in exhibitions and trade shows for the PCB industry to increase awareness of the "Topsearch" brand name.

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Improvement of customer services

Continuous improvement of customer services has always been the Group's major focus. In particular, the shortening of the time required for quick turn production of higher-end multilayer products is an important area for enhancement. In order to achieve this target, the Group will further invest in its engineering resources and sales forces.

REASONS FOR AND PROPOSED USE OF PROCEEDS FROM THE NEW ISSUE

The Directors are of the view that the New Issue will enhance the corporate profile of the Group and enable it to gain access to capital markets in order to obtain external financial resources for future expansion and growth of the Group.

The proceeds from the New Issue, after deduction of the expenses payable by the Company in relation to the New Issue, are estimated to be approximately HK\$200.0 million (assuming that the Over-allotment Option is not exercised). The Directors currently intend to apply the net proceeds of the New Issue as follows:—

- approximately HK\$170.0 million for the completion of the construction of an eight-storey production facility in Shekou, Shenzhen, the PRC;
- approximately HK\$26.2 million for the acquisition of new machinery; and
- the remaining balance of approximately HK\$3.8 million as general working capital.

If the Over-allotment Option is exercised in full, the net proceeds of the New Issue will increase to approximately HK\$232.3 million. The Directors intend to use the additional proceeds as general working capital of the Group.

To the extent that the net proceeds from the New Issue are not immediately required for the above purposes, it is the present intention of the Directors to place such proceeds in interest-bearing deposit with banks and/or financial institutions in Hong Kong.

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RISK FACTORS

The Directors consider that the business and operations of the Group are subject to a number of risk factors which can be categorised into (i) risks relating to the business and operations of the Group; (ii) risks relating to the industry in which the Group operates; (iii) political and economic considerations; (iv) risks relating to the Shares; and (v) issues to consider in relation to certain statements in this prospectus, which are summarised as follows:—

Risks relating to the business and operations of the Group

- reliance on the PC, PC-related and other industries;
- fluctuations in the price of raw materials;
- reliance on the Group's largest customers;
- reliance on the Group's largest suppliers;
- reliance on senior management and R&D teams;
- PRC environmental laws and regulations;
- reliance on existing manufacturing facilities;
- ability to process special materials for the production of PCBs;
- taxation;
- non-inclusion of profit forecast for the year ending 31 December, 2002;
- dividend policy; and
- shareholding of the subsidiary in Malaysia by way of trust and government approval for operations of the subsidiary in Malaysia;

Risks relating to the industry in which the Group operates

- competition; and
- technological changes;

Political and economic considerations

- global economy;
- the PRC; and
- foreign currency conversion and exchange rate;

Risks relating to the Shares

- protection of the interests of minority shareholders under the laws of Bermuda;
- liquidity and possible price volatility of the Shares; and
- control by the Substantial Shareholders;

Issues to consider in relation to certain statements in this prospectus

- reliability of statistics; and
- forward looking statements contained in this prospectus may not materialise.