
PRE-IPO INVESTORS

SUBSCRIPTION AGREEMENTS

The Company and Mr. Cheung entered into a subscription agreement on 3rd May 2005 and a supplemental agreement on 25th June 2005 with each of Lucky Merit Holdings Limited and S. I. Technology Venture Capital Limited.

Pursuant to the Subscription Agreements and the Supplemental Agreements, the Pre-IPO Investors have subscribed for a total of 867,968 new Shares in the Company (the “Subscription Shares”) at an aggregate consideration of HK\$23.4 million.

Completion of the Subscription Agreements and Supplemental Agreements took place on 17th May 2005 and 25th June 2005 respectively.

INFORMATION ON THE PRE-IPO INVESTORS

Lucky Merit Holdings Limited (“Lucky Merit”) is an investment holding company and an indirect wholly-owned subsidiary of New World Enterprise Holdings Limited, which is in turn a wholly-owned subsidiary of New World Development Company Limited, shares of which are listed on the Main Board. New World Enterprise Holdings Limited is principally engaged in strategic investments in four major areas, namely healthcare, consumer products, building materials and automotive mid-stream and down-stream services.

S. I. Technology Venture Capital Limited (“S. I. Technology”) is an investment vehicle and a wholly-owned subsidiary of Shanghai Industrial Holdings Limited, shares of which are listed on the Main Board. S. I. Technology is engaged in venture capital, pre-IPO investments and other direct investments.

Lucky Merit, S. I. Technology and their respective associates are Independent Third Parties.

INVESTMENTS BY THE PRE-IPO INVESTORS

Upon completion of the Subscription Agreements and the Supplemental Agreements on 17th May 2005 and 25th June 2005 respectively, each of Lucky Merit and S. I. Technology was allotted and issued with 433,984 new Shares, representing approximately 7.3% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares, at a consideration of HK\$11.7 million. The aforesaid consideration was negotiated on an arm’s length basis between the parties to the respective Subscription Agreements with reference to, among others, the price/earnings ratio of the audited net profit of the Company for the year ended 31st December 2004.

Each of Lucky Merit and S. I. Technology will hold 16,500,000 Shares and will have an interest of approximately 5.5% in the enlarged issued share capital of the Company immediately following completion of the Share Offer (assuming the Offer Size Adjustment Option is not exercised). The subscription price of approximately HK\$0.7 per Share of the Pre-IPO Investors represents a discount of approximately 12.5% to HK\$0.8 (the lowest point in the Offer Price range stated in this prospectus) and approximately 34.6% to HK\$1.07 (the highest point in the Offer Price range stated in this prospectus).

Each of Lucky Merit and S. I. Technology has undertaken to the Stock Exchange that it shall not, and shall procure that its associates or companies controlled by it or any nominee or trustee holding in trust for it shall not, directly or indirectly sell, dispose of or enter into any agreement to dispose of

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(including but without limitation to the creation of any option, charge, or other encumbrance or rights over or in respect of but save pursuant to a pledge or charge as security for a bona fide commercial loan) any of the Shares or securities in the company owned by it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by it which is, directly or indirectly, the beneficial owner of any of the Shares or securities of the Company) at any time during the period commencing from the date of this prospectus until 6 months from the Listing Date.

SHARE OFFER NOT HAPPENING

In the event that the Share Offer does not take place on or before 31st December 2005 or that Mr. Cheung and/or the Company decides not to proceed with the Share Offer anytime before 31st December 2005, Mr. Cheung undertakes that upon receiving a written notice from the Pre-IPO Investor(s) requesting Mr. Cheung or the Company to buy back the Subscription Shares, he shall purchase, or at the option of Mr. Cheung, procure the Company to repurchase, the Subscription Shares, at a price (the “Purchase Price”) equivalent to the subscription consideration plus 5% interest per annum accruing on daily basis from date of completion in respect of the Purchase Price, after deducting therefrom any dividends which may have been received by the Pre-IPO Investor(s) during the intervening period in respect of the Subscription Shares.

VALUE OF PRE-IPO INVESTORS

The Directors believe that the investment by the Pre-IPO Investors will enhance the Company’s Shareholder profile and bring along new contacts and potential business opportunities. The Directors also consider that the investment by the Pre-IPO Investors would help the Group to achieve long-term growth by leveraging on the management expertise and business networks of the Pre-IPO Investors.

USE OF PROCEEDS

The total net proceeds from the Subscription Agreements and Supplemental Agreements are estimated to be approximately HK\$22.5 million, which are currently intended to be used as to (i) approximately HK\$9 million for the set up of three sales and marketing offices in Japan, United States of America and Germany over a period of 18 months after Listing for the marketing, promotion, customer services and logistical support of the Group’s business; (ii) approximately HK\$8.5 million for the investment (including acquisition of equipment and machinery) in Shinhint DG, which will be designated for the production of premium products (including wireless products); and (iii) approximately HK\$5 million as general working capital to finance the operation of Shinhint DG.