

## USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$3.36 per Share, being the mid-point of the indicative range of the Offer Price of HK\$2.77 to HK\$3.95 per Share) will be approximately HK\$1,269.4 million. The Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$625.4 million is expected to be applied for the expansion and upgrade of the Group's production facilities in the following locations as follows:
  - (i) Wuxi — approximately HK\$50.5 million, mainly comprising approximately HK\$20.7 million for the acquisition of the land and the construction of production plants and approximately HK\$29.8 million for the purchase of various production equipment such as grinding machines and laser cutting machines;
  - (ii) Ningbo — approximately HK\$169.7 million, mainly comprising approximately HK\$139.0 million for the acquisition of the land and construction of a production plant and approximately HK\$30.7 million for staff training and the purchase of various production equipment such as CNC machines and lathes;
  - (iii) Guangzhou — approximately HK\$198.6 million, mainly comprising approximately HK\$158.9 million for the acquisition of the land and construction of a production plant and approximately HK\$39.7 million for the purchase of various production equipment such as CNC machines, machining centres, cranes, lathes and painting machines; and
  - (iv) Existing facilities — approximately HK\$206.6 million for the purchase of various production equipment such as CNC machines, machining centres, cranes, lathes and painting machines.
- approximately HK\$132.0 million is expected to be applied for the enhancement of the Group's research and development activities and facilities as follows:
  - (i) New research and development centre — approximately HK\$79.4 million for the establishment or purchase of a new research and development centre in order to enhance the research and development capabilities of the Group for more advanced plastic injection moulding machines;
  - (ii) Strategic alliance — approximately HK\$13.9 million for investment in the existing strategic alliances with BUCT and Zhejiang University for the development of various new technologies and improvement on existing technologies related to plastic injection moulding machines; and
  - (iii) Facilities and equipment — approximately HK\$38.7 million for the purchase of new research and development facilities, equipment and related expenditures.
- approximately HK\$47.7 million will be used for establishment of 15 new services centres in China by 2008, comprising approximately HK\$37.8 million for the purchase of properties and approximately HK\$9.9 million for decoration and furniture;

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- approximately HK\$377.4 million will be used for repayment of bank loans, comprising (i) US\$10.0 million (approximately HK\$77.8 million) and US\$5.0 million (approximately HK\$38.9 million) due to the OCBC Bank each bearing interest at the rate of one-month LIBOR plus 0.75% which expires, in the case of the first loan, on the earlier of (a) five business days from the date of the receipt of proceeds from the Listing and (b) 6 June, 2007 and, in the case of the second loan, 5 June, 2007, (ii) RMB150.0 million (approximately HK\$149.0 million) due to The Bank of China bearing interest at the rate of 5.18% per annum which expires on 11 April, 2008 and (iii) RMB112.5 million (approximately HK\$111.7 million) of part of the bank borrowing in the aggregate amount of RMB150.0 million (approximately HK\$149.0 million) due to The Export-Import Bank of China bearing interest at the rate of 3.78% per annum which expires on 31 March, 2008; and
- The balance in an amount of not more than 10% of the aggregate net proceeds will be used for working capital and general corporate purposes.

In the event that the Offer Price is set at the high-end of the proposed Offer Price range, the Company will receive additional net proceeds of approximately HK\$229.5 million which will be allocated for (i) settlement of the remaining portion of the bank borrowing of RMB37.5 million (approximately HK\$37.2 million) due to the Export-Import Bank of China and (ii) the balance of HK\$192.3 million as general corporate and working capital purposes.

In the event that the Offer Price is set at the low-end of the proposed Offer Price range, the net proceeds of the Global Offering will decrease by approximately HK\$229.5 million. Under such circumstances, the Directors intend to reduce the repayment of part of bank borrowing from the Export-Import Bank of China by RMB112.5 million (approximately HK\$111.7 million) and the repayment of part of bank borrowing from The Bank of China by RMB31.0 million (approximately HK\$30.8 million) and reduce the balance for general and working capital by approximately HK\$87.0 million.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, the Directors may allocate part or all of the proceeds to short-term interest-bearing deposits with authorized financial institutions and/or licensed banks in Hong Kong and/or China.