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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

Please see “Business – Business Strategies” for further details of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$531.5 million after deducting the underwriting commissions and expenses (excluding approximately RMB19.8 million of listing expenses which have been accounted for prior to September 30, 2013) to be borne by us in the Global Offering, assuming no Over-allotment Option is exercised and an Offer Price of HK\$1.10 per Share, being the mid-point of the indicative Offer Price range of HK\$1.00 to HK\$1.20 per Share in this prospectus. We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately HK\$166.6 million (or approximately 31.3% of the net proceeds) to fund a portion of our planned capital expenditure in relation to additions to property, plant and equipment, and research and development projects of Baohe Taiyue. For additional information, see the section headed “Business – Our Products and Business Activities – Our Manufacturing Facilities – Our Future Facilities – Baohe Taiyue Facility” in this prospectus;
- approximately HK\$143.2 million (or approximately 26.9% of the net proceeds) to repay the bridge loan which we are in the process of obtaining for the purpose of repaying in full the loans from Gushan and amounts due to Gushan, Carling and Mr. Yu prior to Listing. The loans from Gushan bear interest rates ranging from 6.06% to 6.56% while the amounts due to Gushan, Carling and Mr. Yu are interest free. As of the Latest Practicable Date, the outstanding amount of the loans from Gushan was RMB79.5 million and the amounts due to Gushan, Carling and Mr. Yu were RMB12.3 million, RMB0.2 million and RMB20.6 million, respectively. Of the outstanding amount of the loans from Gushan, RMB29.7 million was incurred in 2010 and RMB49.8 million was incurred in 2011, both of which were used to fund our working capital. The amount due to Gushan represents the interest accrued on the loans from Gushan. The amount due to Carling was incurred in each of 2010, 2011, 2012 and 2013 and was used to fund operating expenses of our Hong Kong Office. The amount due to Mr. Yu was incurred in 2013 and was used to fund the listing expenses in preparation for the Global Offering. In the event that we are not able to obtain the bridge loan, the loans from Gushan and amounts due to Gushan, Carling and Mr. Yu will be waived in full prior to Listing and we intend to apply approximately HK\$136.0 million (or approximately 25.6% of the net proceeds) to repay certain outstanding bank loans, all of which are working capital loans with interest rates ranging from 7.00% to 9.00% which were incurred in or after June 2013 and are due before the end of the fourth quarter of 2014 and approximately HK\$7.2 million (or approximately 1.4% of the net proceeds) for working capital. For additional information, see the section headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Loans from and amounts due to related parties”;

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- approximately HK\$140.1 million (or approximately 26.4% of the net proceeds) to fund a portion of our planned capital expenditure in relation to additions to property, plant and equipment, and research and development projects of Baohe Xinshiji. For additional information, see the section headed “Business – Our Products and Business Activities – Our Manufacturing Facilities – Our Future Facilities – Baohe Xinshiji Facility” in this prospectus;
- approximately HK\$36.0 million (or approximately 6.8% of the net proceeds) to repay certain outstanding bank loans, all of which are working capital loans with interest rates ranging from 7.00% to 7.50% and were incurred in or after December 2012 and will be due before the end of the second quarter of 2014;
- approximately HK\$21.4 million (or approximately 4.0% of the net proceeds) to fund a portion of our planned capital expenditure in relation to expansion of production capacity at Xiangbei. For additional information, see the section headed “Business – Our Products and Business Activities – Our Manufacturing Facilities – Our Existing Facilities – Xiangbei Facility” in this prospectus;
- approximately HK\$17.6 million (or approximately 3.3% of the net proceeds) to fund a portion of our planned capital expenditure in relation to additions to property, plant and equipment at Tongxin. For additional information, see the section headed “Business – Our Products and Business Activities – Our Manufacturing Facilities – Our Existing Facilities – Tongxin Facility” in this prospectus; and
- approximately HK\$6.6 million (or approximately 1.3% of the net proceeds) to repay the loan from Silver Harvest and the amount due to Silver Harvest, all of which are either repayable on demand or within one year. The loan from Silver Harvest bears an interest rate of 6.06% while the amount due to Silver Harvest is interest free. As of the Latest Practicable Date, the outstanding amount of the loan from Silver Harvest was RMB5.4 million, and the amount due to Silver Harvest was RMB0.2 million. The loan from Silver Harvest was incurred in 2011 and was used to fund our working capital. The amount due to Silver Harvest represents the interest accrued on the loan from Silver Harvest. For additional information, see the section headed “Financial Information – Discussion of Certain Key Balance Sheet Items – Loans from and amounts due to related parties”.

We will not receive any of the proceeds from the sale of Sale Shares by the Selling Shareholders in the Global Offering. The Selling Shareholders estimate that they will receive, in aggregate, net proceeds from the Global Offering of approximately HK\$96.0 million, after deducting the estimated underwriting commissions and expenses payable by them in the Global Offering and assuming an Offer Price of HK\$1.10 per Share.

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In the event that the Offer Price is set at the low end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$480.8 million. Under such circumstances, the net proceeds allocated to the above uses will be adjusted on a pro rata basis except for the amount used to repay the bridge loan if we are able to obtain such loan (or the amount used to repay certain outstanding bank loans and for working capital if we are not able to obtain such loan), and the loan and the amount due to Silver Harvest. In the event that the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds from the sale of these additional Offer Shares of approximately HK\$98.5 million, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming an Offer Price of HK\$1.10 per Offer Share, being the mid point of the proposed Offer Price range. We intend to apply the additional net proceeds to the above uses on a pro rata basis other than for the repayment of the bridge loan if we are able to obtain such loan (or for the repayment of certain outstanding bank loans and for working capital if we are not able to obtain such loan), and the loan and the amount due to Silver Harvest. In the event that the Offer Price is set at the high end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, our Company will receive net proceeds of approximately HK\$582.2 million. Under such circumstances, the additional net proceeds of approximately HK\$50.7 million will be used to repay certain bank loans, all of which are working capital loans with interest rates ranging from 7.20% to 9.00% which were incurred in or after December 2012 and are due before the third quarter of 2014. In the event that the Offer Price is set at the high end of the proposed Offer Price range and the Over-allotment Option is exercised in full, our Company will receive net proceeds of approximately HK\$689.6 million. The additional net proceeds of approximately HK\$158.1 million (when compared to the net proceeds to our Company with the Offer Price being determined at the mid point of the proposed Offer Price range and assuming the Over-allotment Option is not exercised) of which HK\$141.0 million will be used to repay certain bank loans, all of which are working capital loans with interest rates ranging from 7.00% to 9.23% which were incurred in or after December 2012 and are due before the first quarter of 2015 and HK\$17.1 million will be used for working capital. In the event that the Offer Price is set at the high end of the proposed Offer Price range, the Over-allotment Option is exercised in full and that we are not able to obtain the bridge loan, the additional net proceeds and the amount of waived loans will amount to an aggregate amount of approximately HK\$301.3 million. Of this, we intend to apply approximately HK\$276.0 million to repay certain bank loans, all of which are working capital loans with interest rates ranging from 7.00% to 12.00% which were incurred after December 31, 2012 and are due before the third quarter of 2015 and approximately HK\$25.3 million for working capital. To the extent that the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be placed on deposit with banks or other financial institutions or held in other treasury instruments.