

FUTURE PLANS

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In view of the high economic growth in the PRC, the Directors are of the view that the demand for consumer products in the PRC will continue to increase, which in turn will increase the demand for corrugated paperboard and paper-based packaging products for consumer products. As such, the Group's objective is to strengthen its market position in the packaging industry. In addition, the Group intends to enlarge its production capacity as the utilisation rate of most of the production lines of corrugated paperboards and/or corrugated cartons in the First Production Plant and the Second Production Plant can reach around 70% during peak season. To achieve this objective, the Directors have formulated the following strategies:

Expansion of the existing production facilities

In order to capture the increasing market demand, strengthen competitive edges and achieve economies of scale, the Group intends to expand its production capacity of corrugated cartons by installing two sets of flexo-printing machineries which, as expected by the Directors, cost approximately HK\$[●] million and will contribute an additional annual production capacity of corrugated cartons of approximately [40] million pieces to the Group.

Establishment of a new production plant in Huidong County in Huizhou in Guangdong Province, the PRC

With a view to cope with the expected demand, the Group intends to establish a new production plant in Huidong County in Huizhou of the Guangdong Province, the PRC. The total investment costs of the new production plant is estimated to be approximately HK\$[●] million, comprising land costs of approximately HK\$[[●] million], construction costs of approximately HK\$[[●] million] and costs of equipment and machinery of approximately HK\$[[●] million]. The Group has entered into an agreement to acquire the Huidong Land on which the aforesaid new production plant is to be built. For details of the acquisition of the Huidong Land, please refer to the paragraphs headed "Transactions" in the section headed "Business" in this document.

One production line of corrugated paperboards, three production lines of corrugated cartons and one production line of moulded pulps are planned to be built in the new production plant contributing to the Group an additional annual production capacity of corrugated paperboards of approximately 100 million sq.m. and corrugated cartons by approximately 100 million pieces, and a new annual production capacity of moulded pulps of approximately 1,000 tonnes as well.

The Three Production Plants in Shenzhen will mainly continue to serve customers located in the west of Dongguan and Baoan District in Shenzhen in Guangdong Province, the PRC whereas the new factory in Huidong will mainly serve customers located in the east of Dongguan, Huizhou and Chaoshan region in Guangdong Province, the PRC. The

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Directors believe that the new production plant can facilitate the Group to expand its market share in Guangdong Province, diversify its customer base and increase its source of revenue.

Research and development

The Group will continue to devote resources to enhancing its product research and development capability. The Group intends to increase headcount engaging in research and development and provide them with training. In addition, the Group will purchase and upgrade the equipment in its laboratories in order to strengthen its capability in product testing, design, research and development.