
FUTURE PLANS AND USE OF PROCEEDS FROM THE GLOBAL OFFERING

FUTURE PLANS

Detailed description of our future plans are set out the paragraph headed “Business strategies” under the section headed “Business” in this prospectus.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and an Offer Price of HK\$0.77 per Offer Share (being the mid-point of the indicative Offer Price range), we estimate that the aggregate net proceeds to us from the New Issue will be approximately HK\$199.3 million, after deducting the underwriting fees and other estimated expenses payable by us in connection with the Global Offering. We intend to use the net proceeds from the New Issue as follows:

- (i) approximately 55%, or HK\$109.3 million, will be used to construct a new production plant (including installation of production equipment and machineries) on the existing parcel of land owned by us and will house an additional production line to increase 8,600 tonnes of our existing production capacity. We expect this new plant to be completed by the end of 2011 and commence production in 2012. The gross floor area of the new plant is expected to be approximately 6,600 sq.m. and the current estimated cost of construction is approximately HK\$109.3 million, of which, approximately HK\$26.2 million will be used for construction of the production plant and approximately HK\$83.1 million will be used for purchase of production equipment and machineries. The governmental approval in relation to our Group’s application for the proposed construction of the new production plant and increase in our Group’s annual production capacity has been obtained. As at the Latest Practicable Date, our Group had not entered into any agreement or memorandum of understanding for related construction work or acquisition of equipment or machineries;
- (ii) approximately 30%, or HK\$60.0 million, will be used to expand our product range in the following manner:
 - (a) acquire a plant for the production of monolithic materials. Monolithic materials are essential materials used in steelmaking furnaces, ladles and tundish applications in conventional continuous casting, thin slab casting and thin strip casting. Our Directors believe that as monolithic materials can be used in a broad spectrum of applications, the production of these materials will increase our Group’s product offerings. Further, as monolithic materials can also be used by our Group’s existing customers, our Group can further strengthen our businesses with our existing customers by providing a wider range of products to them. Our Directors expect the annual production capacity of the aforesaid new production plant to be approximately 50,000 tonnes; or
 - (b) acquire land and construct a new production plant (including installation of production equipment and machineries) to produce side dams for the thin strip casting process which is expected to be completed in 2012. Side dam is a ceramic part for the thin strip casting process to hold molten steel during casting operations. We target to locate such new plant on a piece of land of approximately 20,000 sq.m. adjacent to our existing production plant which is likely to be within the Yixing Economic Development Zone and owned by the local government of Yixing, the PRC. The current estimated cost for such acquisition and construction is approximately HK\$60.0 million, of which approximately HK\$8.8 million is for the acquisition of

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land, approximately HK\$6.6 million is for the construction of the production plant and approximately HK\$44.6 million is for the purchase of production equipment and machineries,

as at the Latest Practicable Date, our Group was in the course of identifying suitable target plant for the production of monolithic materials for acquisition and appropriate land for the construction of the new production plant to produce side dams. With the intended amount of the net proceeds from the Global Offering (i.e. approximately HK\$60.0 million) to be dedicated for the above purpose, we intend to use the net proceeds from the New Issue to pursue only one of the above expansion plans when suitable opportunities arise. For the remaining expansion plan which we did not pursue by utilising the net proceeds from the Global Offering, we may implement such plan in the future using internally generated funds or by funds from other fund-raising activities as considered appropriate and in the interest of our Company;

- (iii) approximately 5%, or HK\$10.0 million, will be used to strengthen our marketing efforts in the PRC (including providing more staff training to our sales team and expanding our sales teams) and promote our products in other potential markets in the PRC not already covered by our network as well as in oversea markets through participating in industry exhibitions and establishing sales offices;
- (iv) approximately 5%, or HK\$10.0 million, will be used to further strengthen our research and development capabilities and to improve our expertise and technical know-how in relation to our product quality and production techniques; and
- (v) approximately 5%, or HK\$10.0 million, will be used for working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the indicative price range or if the Over-allotment Option is exercised. If the Offer Price is set at the lowest end of the price range (HK\$0.71), the net proceeds will be approximately HK\$182.1 million. If the Offer Price is set at the highest end of the price range (HK\$0.83), the net proceeds will be approximately HK\$216.4 million.

Our Group will control the costs and identify appropriate target for the above plans, in particular, the expenditures referred to in paragraphs (i) and (ii) above. In the event that the actual capital expenditure should exceed the respective net proceeds obtained from the Global Offering, our Group would then consider whether to utilise our own resources or to further raise funds.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds from the New Issue are not immediately required for the above purposes or if we are unable to implement any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions.

We estimate that the aggregate net proceeds to the Selling Shareholders from the Sale Shares (after deducting underwriting commission and estimated expenses payable by the Selling Shareholders in connection with the Global Offering, and assuming an Offer Price of HK\$0.77 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK\$59.8 million, assuming that the Over-allotment Option is not exercised. Our Company will not receive any of the net proceeds from the Sale Shares.