
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Our strategies and business objectives” in the section headed “Business” in this prospectus for further details of our future plans.

PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

Our Directors intend to apply the net proceeds from the Share Offer to finance our capital expenditure and business expansion, strengthen our capital base and improve our overall financial position. Based on the Offer Price of HK\$1.30 per Offer Share (being the mid-point of the indicative Offer Price range between HK\$1.10 and HK\$1.50 per Offer Share), the net proceeds from the Share Offer, after deducting underwriting commission and estimated expenses payable by us in connection thereto, are estimated to be approximately HK\$41.8 million. Our Directors presently intend to apply such net proceeds from the Share Offer as follows:

- (i) as to approximately HK\$18.8 million or approximately 45% of the net proceeds from the Share Offer, for the purchase of machinery and equipment such as the fixed-bed tubular reactor relating to expansion of production facilities;
- (ii) as to approximately HK\$16.7 million or approximately 40% of the net proceeds from the Share Offer, for the setting up of supporting facilities, including, among others, water and material circulation facilities, water treatment system and installation components to support the expansion and upgrading of the production capacity;
- (iii) as to approximately HK\$4.2 million or approximately 10% of the net proceeds from the Share Offer, for working capital and the general corporate purposes; and
- (iv) as to approximately HK\$2.1 million or approximately 5% of the net proceeds from the Share Offer, for marketing expenses broaden our market coverage in the PRC, including but not limited to, setting up of two representative offices in other nearby province such as Guangzhou and Zhejiang province, and principally in advertising on market campaign through various media, such as advertising through in-store periodicals and magazines relating to chemical industry and publishing press releases. Our Group did not carry out similar activities during the Track Record Period.

If the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$1.10 and HK\$1.50 per Offer Share, the net proceeds from the Share Offer will increase by approximately HK\$9.7 million to approximately HK\$51.5 million. In such event, our Directors intend to apply such additional net proceeds for the above usages on a pro-rata basis.

If the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK\$1.10 and HK\$1.50 per Offer Share, the net proceeds from the Share Offer will reduce by approximately HK\$9.7 million to approximately HK\$32.1 million. In such event, our Directors intend to reduce the intended use of proceeds for the above stated purposes on a pro-rata basis and we will finance such shortfall by internal cash resources and/or additional bank borrowings, as and when appropriate.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks and/or authorised financial institutions in Hong Kong for so long as it is in our best interest. We will also disclose the same in the relevant annual report.