
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business – Our Expansion Plan” in this prospectus for further information about the expansion project at the Xinzhuang Mine to expand present mining capacity and processing capacity and to enhance efficiency which is now in progress.

USE OF PROCEEDS

Assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.925 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Share Offer will be approximately HK\$241 million, after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Share Offer. We intend to use the net proceeds to us from the Share Offer as follows:

- approximately 75% (approximately HK\$181.0 million) will be used to provide part of the funds required for the expansion project at the Xinzhuang Mine set out in the section headed “Business – Our Expansion Plan” in this prospectus;
- approximately 10% (approximately HK\$24.0 million) will be used to fund our exploration activities in the surrounding areas of the Xinzhuang Mine and to commercialise any mineral resources discovered as a result of our exploration activities;
- approximately 5% (approximately HK\$12.0 million) will be used to fund the miscellaneous technological improvement and renovation projects including improvement of our environmental protection facilities and control room technology, etc.; and
- approximately 10% (approximately HK\$24.0 million) will be used for additional working capital and other general corporate purposes.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer (assuming the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$25.2 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purpose on a pro-rata basis.

In the event that the Over-allotment Option is exercised, the additional net proceeds of about HK\$41.7 million (assuming that the Offer Price is determined at the mid-point of the stated range) will be applied by our Company in the same proportions as set out above. To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, we presently intend that such proceeds will be placed on short-term deposits with licensed banks or financial institutions in Hong Kong.

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As advised by our PRC Legal Advisers, subject to the relevant PRC regulatory procedures, PRC governmental approvals, registrations and/or filings, the net proceeds from the Share Offer can be applied in the PRC according to the above intended use under the relevant existing PRC laws and regulations by: (i) increasing the registered capital of our subsidiary in the PRC; (ii) establishing a new PRC subsidiary; (iii) acquiring equity interests in other companies in the PRC; and/or (iv) providing shareholder's loan to our subsidiary in the PRC in the amount not exceeding the difference between the investment amount and the registered capital of such subsidiary. As advised by our PRC Legal Advisers, there are no material legal obstacles to apply the net proceeds from the Share Offer in the PRC if we meet all relevant conditions and requirements required by the relevant PRC laws, regulations and the competent authorities.

Our Directors confirm that our Group is able to fulfil all relevant conditions and requirements pursuant to the relevant PRC laws and regulations and relevant requirements imposed by the competent authorities for the application of the proceeds from the Share Offer. As advised by our PRC Legal Advisers, there shall be no material legal impediment for our Group to fulfil such conditions and requirements if our Company does so based on the relevant conditions and the requirements pursuant to the relevant PRC laws and regulations and relevant requirements imposed by the competent authorities.