
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

Our Company's objective is to leverage our brand position and gain market share in the global technical coatings industry. Our Company intends to achieve this through its business strategies, details of which are set out in the paragraph headed "Business — Business Strategies" in this prospectus.

USE OF PROCEEDS

We estimate that the aggregate net proceeds we receive from the Global Offering, assuming an Offer Price of approximately HK\$37.00 per Share, being the mid-point of the indicative range of the Offer Price of HK\$29.00 to HK\$45.00 per Share, will be approximately HK\$157.0 million (after deducting underwriting fees and estimated expenses payable but not yet been paid by us in connection with the Global Offering).

We intend to use the net proceeds we receive from the Global Offering as follows:

- approximately 10.5% will be invested in our Germany Facility to expand its liquid coatings production capacity to approximately 13,000 tonnes per year;
- approximately 18.8% will be invested in the development of support (non-production) facilities on the Phase 3 property at our Tianjin Facility (or at another suitable site in the PRC) incorporating R&D functions, a Materials & Design Centre for showcasing product samples and related functions, quality control and testing equipment and a coatings application simulation line;
- approximately 15.5% will be invested in the construction of a resin production plant in the PRC to add regional resin supply capability;
- approximately an aggregate of 5.2% will be invested in other production and testing equipment, as well as other construction, improvement or renovation works at our Shanghai Facility, Huizhou Facility and Phases 1 and 2 of our Tianjin Facility;
- approximately 2.5% will be invested in production and testing equipment in our PRC Facilities for coil, electrical, and powder coatings as part of our strategy of technology and product transfer from our European operations to our PRC operations;
- approximately 20% will be used for the integration and consolidation by way of mergers with or acquisitions of targets which would provide us with either access to technologies which enable us to expand into new, suitable product types, and/or a foothold in suitable regions to facilitate our expansion into new geographical markets (as at the Latest Practicable Date, our Group has not identified specific targets for such mergers and acquisitions);

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- approximately 17.5% for the repayment of part of several existing bank loans. Such bank loans were used to finance our growing working capital needs and the expansion of our business; and
- approximately 10% will be used for our general working capital.

To the extent that the net proceeds of the Global Offering we receive are not immediately required for the above purposes, we presently intend that such proceeds be placed on short-term deposits with licensed banks or financial institutions, deposited into our short term revolving credit facilities to minimise interest expense and/or invested into money market instruments.

In the event that the Offer Price is finally determined at the highest end of the indicative Offer Price range between HK\$29.00 to HK\$45.00 per Offer Share, our net proceeds from the Global Offering will increase to approximately HK\$195.6 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply such additional net proceeds in the same proportions as set out above.

In the event that the Offer Price is finally determined at the lowest end of the indicative Offer Price range between HK\$29.00 to HK\$45.00 per Offer Share, our net proceeds from the Global Offering will decrease to approximately HK\$118.4 million, as compared with the above computation (which is based on the mid-point of the indicative Offer Price range). Our Directors intend to apply the reduced net proceeds in the same proportions as set out above, including in respect of repayment of bank loans and general working capital.