

FUTURE PLANS AND [REDACTED]

FUTURE PLANS

See the section headed “Business — Our strategies” in this document.

REASONS FOR THE [REDACTED]

We believe the [REDACTED] company status is important to us. In March 2015, trading of the shares of Chesir Pearl commenced on NEEQ. However, the trading volume of the shares of Chesir Pearl was low primarily due to the fact that NEEQ targets qualified investors using a market maker approach. We believe a [REDACTED] on an internationally recognised stock market is more advantageous to our future business development. On 23 September 2019, listing and quotation for trading of the shares of Chesir Pearl on NEEQ was withdrawn. In October 2019, we started exploring the possibility of restructuring and [REDACTED] on the Stock Exchange.

CONSTRUCTION OF OUR PHASE 2 PRODUCTION PLANT

Background information

Our plan for the construction of our Phase 2 Production Plant has been originated since May 2018. Our Directors believe that there is a pressing need for us to increase our production capacity of pearlescent pigment products because of the following reasons:

- (1) as set forth in the Frost & Sullivan Report, the market size by revenue for pearlescent pigment products in the PRC and international markets are expected to continue to grow at a CAGR of 25.1% and 21.8%, respectively, from 2020 to 2024, the market trend of which is consistent with the increasing demand from our customers and prospective customers;
- (2) in response to the growth in the market size, we plan to increase our production capacity for the production of pearlescent pigment products and in particular, high-end pearlescent pigment products, such as automotive and cosmetic-grade pearlescent pigment products, and this business initiative necessitates the installation of advanced production facilities with high degree of automation and accuracy;
- (3) the current production facilities for the production of pearlescent pigment products at our Phase 1 Production Plant have been operated almost at full capacity and the utilisation rate has been close to 100% throughout the year, giving rise to the need for the construction of new production facilities and also to maintain our production efficiency, improve the product quality and reduce the production lead time; and
- (4) the increased production capacity would enhance our competitiveness and increase our market share in the PRC and the international markets, which would allow us to continue to maintain our leading position in the pearlescent pigment industry.

FUTURE PLANS AND [REDACTED]

In light of the above, we have started the technical designs of our Phase 2 Production Plant since September 2019. The total investment amount for our Phase 2 Production Plant is expected to be RMB1,337.9 million. As of the Latest Practicable Date, we have paid RMB236.3 million, among which, RMB37.4 million was used to acquire five parcels of land for our Phase 2 Production Plant. The five parcels of land are situated on the northwestern side of Xinliu Avenue (Duling Road Section), Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC with an aggregate site area of 148,713.7 sq.m.

We have obtained the construction works planning permit and the construction works commencement permit and the requisite permits, and approvals in respect of environmental impact assessment before such commencing such initial construction.

Information on our Phase 2 Production Plant

Our Phase 2 Production Plant will be an industrial complex and will have total gross floor area of 142,172.3 sq.m., which will include:

- (a) four factory buildings with an aggregate designed annual production capacity of 30,000 tonnes of pearlescent pigment products;
- (b) supply of electricity facilities;
- (c) ancillary facilities and warehouses;
- (d) staff quarters;
- (e) administrative buildings; and
- (f) sewage treatment facilities.

Expected total investment amount of our Phase 2 Production Plant

We plan to use RMB[REDACTED] (equivalent to HK\$[REDACTED]) out of the [REDACTED] from the [REDACTED] to partially finance the investment cost of our Phase 2 Production Plant, and the remaining balance of the investment cost of RMB[REDACTED] will be funded by our internal and/or external financial resources, including our cash and bank balance and bank borrowings. The table below sets forth the funding arrangement for the construction of our Phase 2 Production Plant:

	<i>RMB 'million</i>
Total amount of investment for our Phase 2 Production Plant	1,337.9
Less: Amount used by us for the preparation of the construction works	(236.3)
Outstanding amount of investment	<u>1,101.6</u>
Outstanding amount of investment to be funded by:	
(a) [REDACTED] from the [REDACTED].	[REDACTED]
(b) Our internal and/or external financial resources	<u>[REDACTED]</u>
Total	<u><u>1,101.6</u></u>

FUTURE PLANS AND [REDACTED]

CONSTRUCTION OF OUR LUZHAI SYNTHETIC MICA PLANT

Background information

Our plan for the construction of Luzhai Synthetic Mica Plant has been originated since June 2019. Our Directors believe that there is a pressing need for us to increase our production capacity of synthetic mica flakes because of the following reasons:

- (1) as set forth in the Frost & Sullivan Report, the market size by revenue for synthetic mica in the PRC and the international markets is expected to continue to increase at a CAGR of 35.9% and 16.5%, respectively, from 2020 to 2024, the market trend of which is consistent with the increasing demand from our customers and prospective customers;
- (2) in response to the growth in the market size, we plan to increase our production capacity for the production of synthetic mica flakes and powder, and this business initiative necessitates the installation of advanced production facilities with high degree of automation and accuracy;
- (3) we also need increasing amount of synthetic mica powder to produce our synthetic mica-based pearlescent pigment products, otherwise it would create a bottleneck in the production process;
- (4) the current production facilities for the production of synthetic mica powder at our Phase 1 Production Plant have been operated almost at full capacity and the utilisation rate for the production of synthetic mica powder has been 76.9% for the year ended 31 December 2019, giving rise to the need for the construction of new production facilities in the medium term; and
- (5) the increased production capacity would enhance our competitiveness and increase our market share in the PRC and the international markets.

In light of the above, we have started the technical designs of our Luzhai Synthetic Mica Plant since September 2019. The total investment amount for our Luzhai Synthetic Mica Plant is expected to be RMB471.1 million. As of the Latest Practicable Date, we have paid RMB29.1 million, among which, RMB10.4 million was used to acquire a parcel of land for our Luzhai Synthetic Mica Plant. The land parcel is situated on the southeastern side of National Highway G322 and the southwestern side of Mountain Guniang Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region, the PRC with a site area of 42,467.2 sq.m..

Information on our Luzhai Synthetic Mica Plant

Our Luzhai Synthetic Mica Plant will have total site area of 42,467.2 sq.m., which will include:

- (a) three factory buildings with an aggregate designed annual production capacity of 30,000 tonnes of synthetic mica powder;
- (b) supply of electricity facilities;
- (c) ancillary facilities and warehouses;
- (d) staff quarters;
- (e) administrative buildings; and
- (f) sewage treatment facilities.

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Expected total investment amount of our Luzhai Synthetic Mica Plant

We plan to use RMB[REDACTED] (equivalent to HK\$[REDACTED]) out of the [REDACTED] from the [REDACTED] to partially finance the investment cost of our Luzhai Synthetic Mica Plant, and the remaining balance of the investment cost of RMB[REDACTED] will be funded by our internal and/or external financial resources including our cash and bank balances and bank borrowings. The table below sets forth the funding arrangement for the construction of Luzhai Synthetic Mica Plant:

RMB 'million

Total amount of investment for our Luzhai Synthetic Mica Plant	471.1
Less: Amount used by us for the preparation works	(29.1)
Outstanding amount of investment	442.0
Outstanding amount of investment to be funded by:	
(a) [REDACTED] from the [REDACTED].	[REDACTED]
(b) Our internal or external financial resources	[REDACTED]
Total	442.0

PROPOSED USE OF THE [REDACTED] FROM THE [REDACTED]

The table below sets forth the estimate of [REDACTED] from the [REDACTED] which we will receive after deduction of [REDACTED] and estimated expenses in connection with the [REDACTED] and the [REDACTED]:

	Assuming the [REDACTED] is not exercised	Assuming the [REDACTED] is exercised in full
	<i>HK\$'million</i>	<i>HK\$'million</i>
Assuming an [REDACTED] of HK\$[REDACTED] (being the low-end of the indicative range of the [REDACTED])	HK\$[REDACTED]	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] (being the mid-point of the indicative range of the [REDACTED])	HK\$[REDACTED]	HK\$[REDACTED]
Assuming an [REDACTED] of HK\$[REDACTED] (being the high-end of the indicative range of the [REDACTED])	HK\$[REDACTED]	HK\$[REDACTED]

FUTURE PLANS AND [REDACTED]

Assuming that the [REDACTED] would be HK\$[REDACTED], being the mid-point of the indicative range of the [REDACTED], we intend to use the [REDACTED] from the [REDACTED] for the following purposes:

- (1) [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for partial financing of the construction of our Phase 2 Production Plant. The following sets forth further information on each usage;
 - (a) *Payment of construction cost:* [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for the partial payment of construction cost of factory buildings, staff quarters, sewage treatment facilities, electricity supply station and ancillary facilities and warehouses; and
 - (b) *Purchase of production machinery and equipment and facilities installation:* [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for the purchase and installation of production plant and machinery and installation of an intelligent control system, equipment installation, testing and commissioning.

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The table below sets forth detailed information on the intended applications of the [REDACTED] from the [REDACTED] and the implementation plan for the construction of our Phase 2 Production Plant:

Intended use of the [REDACTED] from the [REDACTED]	Particulars	Total gross floor area (sq.m.)	Estimated total investment (RMB'million)	Amount of investment expected to be settled using the [REDACTED] from the [REDACTED] (RMB'million)	Expected completion dates
Construction costs	Plant No. 1	20,909.0	51.2	[REDACTED]	Fourth quarter of 2021
	Plant No. 2	28,113.4	75.8	[REDACTED]	Fourth quarter of 2021
	Storage tank for raw materials	430.0	3.9	[REDACTED]	Fourth quarter of 2021
	Ancillary Workshop No. 1	268.0	1.5	[REDACTED]	Fourth quarter of 2021
	Ancillary Workshop No. 2	163.6	0.9	[REDACTED]	Fourth quarter of 2021
	Warehouse No. 1	15,138.0	45.2	[REDACTED]	Fourth quarter of 2021
	Warehouse No. 2	1,160.3	4.6	[REDACTED]	Fourth quarter of 2021
	Warehouse No. 3	553.0	2.4	[REDACTED]	Fourth quarter of 2021
	Repairs and maintenance workshop	2,880.0	9.4	[REDACTED]	Fourth quarter of 2021
	Production Complex	8,151.8	32.0	[REDACTED]	Fourth quarter of 2021
	Staff quarter	8,491.1	29.2	[REDACTED]	Fourth quarter of 2021
	Plant No. 3	23,718.5	51.0	[REDACTED]	First quarter of 2023
	Plant No. 4	11,754.5	35.4	[REDACTED]	First quarter of 2023
	Technology Complex	15,276.1	33.9	[REDACTED]	First quarter of 2023
	Outdoor area	Not applicable	63.0	[REDACTED]	First quarter of 2023
	Other facilities and foundation works	5,165.0	160.6	[REDACTED]	First quarter of 2023
Total			<u>600.0</u>	<u>[REDACTED]</u>	

FUTURE PLANS AND [REDACTED]

Intended use of the [REDACTED] from the [REDACTED]	Particulars	Quantity	Estimated total investment (RMB'million)	Amount of investment expected to be settled using the [REDACTED] from the [REDACTED] (RMB'million)	Expected installation dates
Purchase of production machinery and equipment	Types of machinery and equipment				
	Mica grinding processing and production line (雲母研磨加工生產線)	4	87.8	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024
	Hydrolysis reaction equipment (水解反應設備)	100	67.2	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024
	Storage of ancillary materials and production line for mixing of ingredients	5	14.2	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024
	Pearlescent calcination production line (珠光煅燒生產線)	22	95.2	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024
	Storage and packaging equipment	5	53.7	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024

FUTURE PLANS AND [REDACTED]

Intended use of the [REDACTED] from the [REDACTED]	Particulars	Quantity	Estimated total investment (RMB'million)	Amount of investment expected to be settled using the [REDACTED] from the [REDACTED] (RMB'million)	Expected installation dates
Purchase of production machinery and equipment	DCS Intelligent Control System	1	60.6	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024
	Power supply facilities	1	33.8	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024
	Other public works and equipment	1	26.4	[REDACTED]	Purchase and installation in different phases in (a) the fourth quarter of 2021 and the fourth quarter of 2022 and (b) the fourth quarter of 2023 and the fourth quarter of 2024
Total			<u>438.9</u>	<u>[REDACTED]</u>	

(2) [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for partial financing of the construction of our Luzhai Synthetic Mica Plant. The following sets forth further information on each usage;

- (a) *Payment of construction cost:* [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for the partial payment of the construction cost of factory buildings, warehouse for finished products and relevant facilities with a total gross floor area of 40,943 sq.m. and construction of air circulation system, electricity supply station, water recycling system and other ancillary facilities and part of the decoration cost; and
- (b) *Purchase of production machinery and equipment and facilities installation:* [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for partial payment of the purchase and installation of 60 synthetic mica melting furnaces and the intelligent control system.

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The table below sets forth detailed information on the intended applications of the [REDACTED] from the [REDACTED] and the implementation plan for the construction of Luzhai Synthetic Mica Plant:

Intended use of the [REDACTED] from the [REDACTED]	Particulars	Total gross floor area (sq.m.)	Estimated total investment (RMB'million)	Amount of investment expected to be settled using the [REDACTED] from the [REDACTED] (RMB'million)	Expected completion dates
Construction costs	Plant No.1	14,756.0	42.0	[REDACTED]	First quarter of 2022
	Plant No.2	2,300.0	13.1	[REDACTED]	First quarter of 2022
	Plant No. 3	20,042.0	56.9	[REDACTED]	First quarter of 2022
	Engine room	540.0	2.4	[REDACTED]	First quarter of 2022
	Power substation	450.0	2.0	[REDACTED]	First quarter of 2022
	Exhaust gas absorption system	Not Applicable	0.7	[REDACTED]	First quarter of 2022
	Water recycling facilities	Not Applicable	4.7	[REDACTED]	First quarter of 2022
	Door entrance No. 1	20.0	0.8	[REDACTED]	First quarter of 2022
	Door entrance No. 2	20.0	0.8	[REDACTED]	First quarter of 2022
	Warehouse for finished products	2,815.0	10.1	[REDACTED]	First quarter of 2022
	Outdoor area	Not Applicable	17.1	[REDACTED]	First quarter of 2022
	Geological works	Not Applicable	20.8	[REDACTED]	First quarter of 2022
Total			<u>171.4</u>	<u>[REDACTED]</u>	

FUTURE PLANS AND [REDACTED]

Intended use of the [REDACTED] from the [REDACTED]	Particulars	Quantity	Estimated total investment (RMB'million)	Amount of investment expected to be settled using the [REDACTED] from the [REDACTED] (RMB'million)	Expected installation dates
Purchase of production machinery and equipment.	Types of machinery and equipment				
	Raw material batching system (配料系統)	2	4.0	[REDACTED]	Purchase and installation in different phases in the first quarter of 2022 and the first quarter of 2024
	Melting furnace (熔制窯爐)	60	42.1	[REDACTED]	Purchase and installation in different phases in the first quarter of 2022, 2023, 2024 and 2025
	Furnace supporting facilities transfer system (窯爐配套轉運系統)	1	7.8	[REDACTED]	Purchase and installation in the first quarter of 2022
	Crushing and packaging equipment (破碎與包裝設備)	2	3.8	[REDACTED]	Purchase and installation in the first quarter of 2022 and the first quarter of 2024
	Air treatment facilities (空氣處理設備)	1	1.7	[REDACTED]	Purchase and installation in the first quarter of 2022
	Pulping and drying equipment (制漿壓幹設備)	26	39.1	[REDACTED]	Purchase and installation in different phases in the first quarter of 2022, 2023, 2024 and 2025
	Mica grinding and classification equipment (雲母研磨分級設備)	22	46.5	[REDACTED]	Purchase and installation in different phases in the first quarter of 2022, 2023, 2024 and 2025
	Steamer and dryer	2	0.9	[REDACTED]	Purchase and installation in the first quarter of 2022 and the first quarter of 2024
	Weighing and transportation equipment	2	2.7	[REDACTED]	Purchase and installation in the first quarter of 2022 and the first quarter of 2024
	Water supply system	1	7.0	[REDACTED]	Purchase and installation in the first quarter of 2022

FUTURE PLANS AND [REDACTED]

Intended use of the [REDACTED] from the [REDACTED]	Particulars	Quantity	Estimated total investment (RMB'million)	Amount of investment expected to be settled using the [REDACTED] from the [REDACTED] (RMB'million)	Expected installation dates
Purchase of production machinery and equipment.	Electricity supply system	1	15.0	[REDACTED]	Purchase and installation in the first quarter of 2022
	Intelligent Distributed Control System	1	9.9	[REDACTED]	Purchase and installation in the first quarter of 2022
Total			<u>180.5</u>	<u>[REDACTED]</u>	

(3) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used to increase our investment in research and development facilities and testing equipment of our research and development centre. To this end, we intend to invest in the following and plan to complete before the fourth quarter of 2022:

- (a) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for research and development in cosmetic grade and weather resistant pearlescent pigment products and pearlescent pigment products with special functions to further enhance and build up a comprehensive portfolio of high-end pearlescent pigment products;
- (b) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for further research and development on synthetic mica, glass flakes, alumina flakes, graphene and other new substrates for pearlescent pigment products; and
- (c) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used to improve the facilities of our laboratory and increase the number of testing equipment in our research and development centre, including construction of a new research centre on synthetic mica; laboratories for new products, innovative product applications and testing of heavy metals and microbiological elements; and acquisition of new equipment, such as ICP-Ms heavy metal analyser, X-ray powder diffractometer (X射線粉末衍射儀), X-ray photoelectron spectrometer (X射線光電子能譜儀) and other research facilities for testing of new substrates.

(4) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for sales and marketing activities and building sales network to enhance our brand recognition in the PRC and overseas. To this end, we intend to invest in the following and plan to complete before the fourth quarter of 2023:

- (a) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for advertising and promotional activities on printed and online media, including industry journals, periodicals, online platforms and social media, product catalogue, and other promotional video to enhance our brand image;

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- (b) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for organising technology training seminars and technology forums; and
 - (c) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used for participation in exhibitions and industry events in the PRC and abroad.
- (5) [REDACTED]%, or HK\$[REDACTED] (equivalent to RMB[REDACTED]), will be used as our working capital and other general corporate purposes.

If the [REDACTED] is finally determined to be HK\$[REDACTED] (being the low-end of the indicative range of the [REDACTED]), the [REDACTED] from the [REDACTED] will be decreased by HK\$[REDACTED] and the above allocations of the [REDACTED] from the [REDACTED] will decrease on a pro rata basis.

If the [REDACTED] is finally determined to be HK\$[REDACTED] (being the high-end of the indicative range of the [REDACTED]), the additional [REDACTED] from the [REDACTED] of HK\$[REDACTED] will be used for increasing the amounts to be used for financing the construction cost of our Phase 2 Production Plant and Luzhai Synthetic Mica Plant.

If the [REDACTED] is determined at HK\$[REDACTED] (being the high-end of the indicative range of the [REDACTED]) and assuming that the [REDACTED] is exercised in full, the additional [REDACTED] from the [REDACTED] would increase by HK\$[REDACTED], which will be used for increase the amounts to be used for financing the construction cost of our Phase 2 Production Plant and Luzhai Synthetic Mica Plant.

To the extent that the [REDACTED] are not sufficient to fund the purposes of the [REDACTED] as set forth above, we intend to fund the balance through a variety of means, including cash generated from our operations, bank loans and other borrowings, as appropriate. Should our Directors decide to re-allocate the intended [REDACTED] 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 [REDACTED] as described above, we will make appropriate announcement(s) in due course.

To the extent that the [REDACTED] are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.