
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Business Strategies” in this document for a detailed discussion of our future plans.

USE OF [REDACTED]

We estimate that the net [REDACTED] we will receive from the [REDACTED] (after deducting [REDACTED] commissions, fees and anticipated expenses payable by us in connection with the [REDACTED]) will be approximately [REDACTED] (equivalent to approximately [REDACTED]), assuming the [REDACTED] is not exercised and an [REDACTED] of [REDACTED] per Share, being the mid-point of the [REDACTED] range of [REDACTED] to [REDACTED] per Share as stated in this document. Our Directors presently intend to apply such net [REDACTED] as follows:

(i) Increase our production capacity and capabilities to solidify our market position

- approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], will be used to establish the New Production Facility, comprising two production compartments, where we can qualify for obtaining a new Hazardous Waste Business Licence with a permitted annual treatment capacity of 600,000 tonnes, and diversify our product offerings in our sale of recycled products business, among which:
 - (a) approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], will be used for the acquisition of the land use rights for a parcel of land of approximately [166,500] sq.m. earmarked for the construction of the New Production Facility. Our Group is currently considering various suitable locations of the land and has yet to identify the particular parcel of land for acquisition. The acquisition of the land use rights for this parcel of land is planned to be utilised by the end of 2021;
 - (b) approximately [REDACTED] (equivalent to approximately [REDACTED]), representing approximately [REDACTED] of the net [REDACTED], will be used for the construction of the New Production Facilities with an estimated building area of approximately [87,300] sq.m. (being approximately [52.4]% of the site area). It is planned that the construction will be completed in two phases, with the first phase (construction of the production compartment for gold mine hazardous waste treatment and the new research and development laboratory) and second phase (construction of the production compartment for production of recycled products including construction aggregates) planned to be completed by the end of the second quarter of 2022 and by the end of 2022, respectively. For obtaining the new Hazardous Waste Business Licence, we expect that we would commence the trial operation

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of the production compartment for gold mine hazardous waste treatment within three months after the completion and obtain the new Hazardous Waste Business Licence by mid 2023 upon the completion of the trial operation the New Production Facility.;

- (c) approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], to partially finance the purchase costs of the machinery and equipment for the production in the New Production Facility. The following table sets forth the major additional machinery (with an estimated net [REDACTED] to be utilised over [REDACTED]) we intend to acquire for the New Production Facility:

Machinery	Functions	Unit	Total estimated net [REDACTED] to be utilised (RMB million)
Oxygen-enriched air smelting machine	Separate the components of the materials at high temperature	1	[REDACTED]
Flotation tank	Separate pyrite concentrate and gold-bearing pyrite concentrate from other materials by creating a froth which adheres to them	48	[REDACTED]
Filer press machines	Separate the solid products from liquid by drying the froth from the flotation tank	6	[REDACTED]
Waste heat recovery boiler	Cool down the smoke and recover the heat power	1	[REDACTED]
Loader/bulldozer	Load and transport various materials at the production facilities, such as gold concentrates cyaniding tailings and/or pyrite concentrate	11	[REDACTED]
Exhaust gas treatment system	carry out absorption treatment of harmful gases in exhaust gases	1	[REDACTED]
Excavators	Dig and move various materials at the production facilities, such as cynaide tailings, pyrite concentrate and gold-bearing pyrite concentrates	2	[REDACTED]
Other machinery and equipment, which the estimated net [REDACTED] to be utilised for each of them is estimated to be below [REDACTED] or not			[REDACTED]
Total			<u><u>[REDACTED]</u></u>

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We estimate that the total purchase cost for the New Production Facility will be approximately [REDACTED] (equivalent to approximately [REDACTED]) and the remaining acquisition costs of approximately [REDACTED] (equivalent to approximately [REDACTED]) will be financed by our internal resources; and

- (d) approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], to expand our production team for operating the New Production Facility. This amount of net [REDACTED] is planned for the payment of wages of the production team for the operation of the New Production Facility from the commencement of trial operation of the New Production Facility up to mid 2023.

The table below sets forth our Group’s plan on the additional production team:

Department	Total number of employees
Management	2
Production	48
Quality control and engineering	5
Procurement, sales and marketing	3
Finance and administration	15
Logistics	<u>13</u>
Total	<u><u>86</u></u>

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(ii) Strengthen our research and development capabilities

— approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], will be used for strengthening our research and development capabilities to enhance existing products and diversify our product offering, among which:

a) approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], will be used to acquire the machinery and equipment of the new laboratory in the New Production Facility with an estimated building area of approximately 5,000 sq.m.. We intend to acquire the following major machinery and equipment (with the acquisition cost over [REDACTED]) for the new research and development laboratory:

Machinery	Functions	Unit	Total estimated cost RMB (million)
Multi-functional High Temperature Testing Furnace	Conduct comprehensive metal recycling and smelting, with the combination of different materials, temperatures and components recorded, which is used to develop more effective and comprehensive metal recycling technology	1	[REDACTED]
Smelting flue smoke and dust absorption system	Absorb the flue smoke from high-temperature smelting with the function of cooling and dust removal	1	[REDACTED]
Other machinery and equipment, which the estimated net [REDACTED] to be utilised for each of them is estimated to be [REDACTED] or below			<u>[REDACTED]</u>
Total			<u>[REDACTED]</u>

The new laboratory is planned to be launched by the end of 2021; and

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- b) approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], will be used for the recruitment and expansion of our research and development team. It is planned that the net [REDACTED] will be used for the payment of wages from July to December 2021. It is planned that these nine staffs will work at our office in existing production facilities first, and they will relocate to the new research and development laboratory upon its launch. The table below sets forth our Group’s plan on the nine additional staff to be employed:

Position	Number	Specific qualifications and/or requirements to be imposed on the staff by our Group
Technical director	1	Must have: (i) a bachelor’s degree in chemistry or related discipline; and (ii) at least 10 years’ working experience in research and development of hazardous substances in gold mining.
Deputy technical director	1	Must have: (i) a bachelor’s degree in chemistry or related discipline; and (ii) at least eight years’ working experience in research and development of hazardous substances in gold mining.
Manager	1	Must have: (i) a bachelor’s degree in chemistry or related discipline; and (ii) at least five years’ working experience in research and development of hazardous substances in gold mining.
Senior technician	1	Must have: (i) a bachelor’s degree in chemistry or related discipline; and (ii) at least three years’ working experience in research and development of hazardous substances in gold mining.
Technician	2	Must have at least one year’s working experience in research and development of hazardous substances in gold mining.
Chemist	2	Must have at least one year’s working experience in research and development of hazardous substances in gold mining.
General administration manager	1	Must have: (i) completed tertiary education or above; and (ii) at least five years’ working experience in administration.

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(iii) general working capital

- approximately [REDACTED] (equivalent to approximately [REDACTED]), representing [REDACTED] of the net [REDACTED] from the [REDACTED], will be used for our general working capital.

We will use our net [REDACTED] to implement our future plans after [REDACTED] and expect that our net [REDACTED] will be fully utilised within three years after the [REDACTED].

The above allocation of the net [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the proposed [REDACTED] range or the [REDACTED] is exercised.

If the [REDACTED] is fixed at [REDACTED] per Share (being the high end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, the net [REDACTED] we receive will be approximately [REDACTED] (equivalent to approximately [REDACTED]), after deducting [REDACTED] commissions, fees and anticipated expenses payable by us in connection with the [REDACTED].

If the [REDACTED] is fixed at [REDACTED] per Share (being the low end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, the net [REDACTED] we receive will be approximately [REDACTED] (equivalent to approximately [REDACTED]), after deducting [REDACTED] commissions, fees and anticipated expenses payable by us in connection with the [REDACTED].

In the event that the [REDACTED] is exercised in full, we will receive additional net [REDACTED] of approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per Share, being the low end of the proposed [REDACTED] range), approximately [REDACTED] (assuming an [REDACTED] of [REDACTED] per Share, being the mid-point of the proposed [REDACTED] range) and [REDACTED] (assuming an [REDACTED] of [REDACTED] per Share, being the high end of the proposed [REDACTED] range), after deducting [REDACTED] commissions, fees and anticipated expenses payable by us in connection with the [REDACTED]. Additional net [REDACTED] received due to the exercise of any [REDACTED] will be used for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately applied to the purposes described above and to the extent permitted by applicable law and regulations, we intend that such [REDACTED] will only be placed in short-term deposits with licensed banks in Hong Kong or the PRC. Our Directors consider that the net [REDACTED] from the [REDACTED], together with the internal resources of our Group, will be sufficient to finance the implementation of our Group’s business plans as set out in this section.

We will issue an appropriate announcement if there is any material change in the aforementioned use of [REDACTED].

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REASONS FOR [REDACTED]

The following are our main purposes for the [REDACTED]:

- we believe that the additional access of equity funding by means of issuance of new Shares, which may arise in light of the [REDACTED], will enable us to pursue potential business opportunities pursuant to our expansion plans. In addition, our Directors believe that a combination of equity financing, debt financing and internal resources will provide a suitable capital structure to support the long term growth of our Group;
- the [REDACTED] provides a platform for our Group to access the capital markets for future secondary fund-raising through either (i) the issuance of shares or (ii) for debt securities, depending on the prevailing market condition at the time of capital needs. It can also provide additional funding sources to cater for our Group’s further expansion plans (other than those future plans stated in this document) and when opportunities arise. Furthermore, the ability to obtain bank financing is generally easier with a [REDACTED] entity as compared to a private entity and our Directors believe that a [REDACTED] status will allow us to gain leverage in obtaining bank financing with relatively more favourable terms in the PRC and Hong Kong, in which the latter in general has a lower interest rate than in the PRC;
- the [REDACTED] broadens our shareholder base and enhance the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the [REDACTED];
- the [REDACTED] can elevate our corporate image and status and provide reassurance and confidence to our customers and suppliers, which in turn provides a stronger bargaining position when exploring new business opportunities with our customers and suppliers. Furthermore, with a more established corporate image, it can further assist us to obtain additional contracts, as disclosed in “Business — Our Business Strategies” in this document; and
- the [REDACTED] can enhance employee incentive and commitment. As experienced and quality employees are vital to our business operations and future development, being a [REDACTED] company can help us to attract, recruit and retain our valued management personnel, employees and skilled professionals. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. See “Other Information — 14. Share Option Scheme” in Appendix V to this document for a summary of principal terms of the scheme.