
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

For a detailed description of our future plans, please refer to “Business — Our Strategies” in this document.

USE OF PROCEEDS

In the event that the [REDACTED] is not exercised, we estimate the net proceeds from the [REDACTED] which we will receive, assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), will be approximately HK\$[REDACTED], after deduction of [REDACTED] fees and commissions and other estimated expenses in connection with the [REDACTED].

In the event that the [REDACTED] is exercised in full and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range stated in this document), we will receive additional net proceeds from the [REDACTED] of approximately HK\$[REDACTED].

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high end of the [REDACTED] range stated in this document), we will receive (i) additional net proceeds from the [REDACTED] of approximately HK\$[REDACTED], assuming the [REDACTED] is not exercised; and (ii) additional net proceeds from the [REDACTED] of approximately HK\$[REDACTED], assuming the [REDACTED] is exercised in full.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low end of the [REDACTED] range stated in this document), the net proceeds from the [REDACTED] we receive will be (i) reduced by approximately HK\$[REDACTED], assuming the [REDACTED] is not exercised; and (ii) reduced by approximately HK\$[REDACTED], assuming the [REDACTED] is exercised in full.

We intend to use the net proceeds from the [REDACTED] for the following purposes assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range stated in this document:

- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used to increase our production capacity at Hubei Xinxuanhong Production Plant by constructing new production facilities focusing mainly on manufacturing toluene chlorination products and derivatives, among which:
 - (a) approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for the construction of Phase I production facilities as well as public auxiliary facilities, which is designed with an annual production capacity of approximately 10,000 tons of benzyl acetate, 20,000 tons of benzyltoluene and 10,000 tons of dibenzylamine;

The total investment amount of the Phase I production facilities is approximately RMB[REDACTED]. The construction of Phase I production facilities was commenced in July 2023 and the Phase I production is expected to begin in the second half of 2024. For details, please refer to “Business — Business Expansion Plans — Production Plant Expansion Plan” in this document; and

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- (b) approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for the construction of Phase II production facilities, which is expected to further enhance the production capacity of Phase I production plant as well as upgrade certain public auxiliary facilities. The designed annual production capacity includes approximately 100,000 tons of benzyl chloride, 40,000 tons of benzotrichloride, 40,000 tons of benzoyl chloride, 50,000 tons of benzyl alcohol, 10,000 tons of benzyl acetate and 20,000 tons of dibenzylamine;

The total investment amount of the Phase II production facilities is approximately RMB[REDACTED]. The Phase II production is expected to begin in the second half of 2026. For details, please refer to “Business — Business Expansion Plans — Production Plant Expansion Plan” in this document;

- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for our research and development activities, among which:
 - (a) approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for the joint establishment of photocatalytic laboratory with Central China Normal University (華中師範大學) to explore the industrial application of photocatalytic reactions; and
 - (b) approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for the construction of pilot plants (中試車間) at the site of Hubei Xinlianhong located in Qianjiang, Hubei Province. The pilot plant is used to test the amplification effect of laboratory results, which is a critical platform to promote the realization of scientific and technology achievements from development to commercialization;
- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for sales and marketing activities to enhance our brand recognition in the PRC and overseas. The intended allocation of this portion of the net proceeds is primarily as follows:
 - (a) approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used in participation in domestic and overseas exhibitions; and
 - (b) approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for establishing branch offices and warehouses in United States;
- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for our working capital and general corporate purposes, including procurement of raw materials and management of inventory level.

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The above allocation of the net proceeds 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. In the event that the [REDACTED] is exercised in full, we intend to apply the additional net proceeds from the [REDACTED] to the above uses in the proportions stated above.

To the extent that the net proceeds from the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds from the [REDACTED] into short-term demand deposits with licensed banks and authorized financial institutions (as defined under the Securities and Futures Ordinance or applicable laws in the relevant jurisdiction, where applicable). We will make an appropriate announcement if there is any change to the above proposed use of proceeds.