
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We plan to implement a series of business strategies and future plans in order to expand our business and strengthen our position in our industry. For more details, please refer to “Business — Our Business Strategies” in this prospectus.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and an Offer Price of HK\$0.55 per Offer Share, being the mid-point of the proposed Offer Price range of HK\$0.50 to HK\$0.60 per Offer Share, our Company will receive net proceeds of approximately HK\$90.1 million (equivalent to approximately RMB78.6 million) from the issue of the Offer Shares, after deducting underwriting fees and other expenses paid and payable by us in connection with the Global Offering, excluding any discretionary incentive fee which may be paid, in the aggregate amount of approximately HK\$47.4 million (equivalent to approximately RMB41.4 million).

We intend to use the net proceeds from the Global Offering for the following purposes:

- Approximately 57.0% (approximately HK\$51.4 million or RMB44.8 million) will be used for the expansion of our production capacity, including purchase of new equipment for our production of aluminum alloy automobile wheels.

The expansion plan will be divided into two separate phases from December 2022 to November 2024, which is expected to increase our annual production capacity from approximately 1.2 million units currently to approximately 2.4 million units upon completion of the expansion plan.

- i. Approximately 49.0% (approximately HK\$44.1 million or RMB38.5 million) will be used for the investment in the first phase of our aluminum alloy automobile wheel production capacity expansion from December 2022 to November 2023. The first phase of expansion is expected to increase our annual production capacity from approximately 1.2 million units to approximately 2.0 million units. The amount will primarily be used for the purchase of machines and equipment used in our manufacturing processes:
 - a. approximately 8.3% (approximately HK\$7.5 million or RMB6.5 million) for equipment used during the machining phase;
 - b. approximately 27.6% (approximately HK\$24.8 million or RMB21.7 million) for equipment used during the casting phase;
 - c. approximately 9.4% (approximately HK\$8.5 million or RMB7.4 million) for equipment used during the smelting and heat treatment phases; and
 - d. approximately 3.7% (approximately HK\$3.3 million or RMB2.9 million) for product quality control equipment which includes an advance helium leak detector used for product quality control which offers superior accuracy on leak detection of our products than our current method which involves submerging our products in a water tank and visually observing possible leakage.

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- ii. Approximately 8.0% (approximately HK\$7.3 million or RMB6.3 million) will be used for the investment in the second phase of our aluminum alloy automobile wheel production capacity expansion from December 2023 to November 2024. The second phase of expansion is expected to increase our annual production capacity from approximately 2.0 million units to approximately 2.4 million units. The amount will be used for the purchase of machines and equipment used in our manufacturing processes:
 - a. approximately 5.7% (approximately HK\$5.2 million or RMB4.5 million) for equipment used during the machining phase; and
 - b. approximately 2.3% (approximately HK\$2.1 million or RMB1.8 million) for equipment used during the smelting and casting phases.
- Approximately 36.2% (approximately HK\$32.5 million or RMB28.4 million) will be used for the construction of a new manufacturing facility, warehouse and other supporting facilities on potential land parcel we plan to acquire by using our internal resources to accommodate our expansion of production capacity.
- Approximately 6.8% (approximately HK\$6.2 million or RMB5.4 million) will be used for the design, development and testing of our new molds and prototypes; and
 - i. approximately 1.5% (approximately HK\$1.4 million or RMB1.2 million) for the recruitment of three design and development personnel and we expect them to possess relevant degree in mechanics and more than five years of relevant work experience in mold designing and prototype testing; and
 - ii. approximately 5.3% (approximately HK\$4.8 million or RMB4.2 million) for the purchase of testing equipment used during the testing of molds and prototypes that we produced based on our molds.

We consider multiple factors when determining whether to invest in particular projects. These factors include (i) whether such investments will help us optimize our production costs; and (ii) whether such investments will help us stay competitive in the future.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range stated in this prospectus and assuming the Over-allotment Option is not exercised, our net proceeds will increase to approximately HK\$102.2 million (equivalent to approximately RMB89.1 million) or decrease to approximately HK\$77.9 million (equivalent to approximately RMB68.0 million), respectively. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range.

The total amount of net proceeds that we would receive if the Over-allotment Option is exercised in full would be (i) HK\$124.0 million (equivalent to approximately RMB108.2 million) (assuming an Offer Price of HK\$0.60 per Share, being the high-end of the Offer Price range stated in this prospectus); (ii) HK\$110.1 million (equivalent to approximately RMB96.0 million) (assuming an Offer Price of HK\$0.55 per Share, being the

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mid-point of the Offer Price range stated in this prospectus); and (iii) HK\$96.1 million (equivalent to approximately RMB83.9 million) (assuming an Offer Price of HK\$0.50 per Share, being the low-end of the Offer Price range stated in this prospectus). The total amount of net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will only deposit the proceeds into interest-bearing bank accounts, such as demand deposit accounts, with licensed commercial banks and/or authorized financial institutions in Hong Kong (as defined under the SFO) and the PRC (as defined under the PRC Laws). The allocation of our use of proceeds may be adjusted according to our future development strategies and progress. In the event of any change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

REASONS FOR THE LISTING AND THE GLOBAL OFFERING

We believe that the Listing and the Global Offering will facilitate us in the implementation of our business strategies to expand our production capacity and strengthen and broaden our customer base.

Our Directors are of the view that the Listing can provide us with the funds required for our new expansion plan, which our internal financial resources alone are insufficient to support. The estimated total funding requirement for our expansion plan is approximately RMB111.4 million, which will exceed the estimated available internal financial resources of our Group in the absence of the net proceeds from the Listing.

As of September 30, 2022, our Group had cash and cash equivalents balance of approximately RMB132.7 million from net cash generated from our operations during the Track Record Period. It is our intention to fund our business expansion plan, which is capital expenditure in nature, with (i) our existing cash on hand in the amount of approximately RMB38.2 million; and (ii) the net proceeds from the Global Offering in the amount of approximately RMB73.2 million.

In addition to funding needs, our Directors believe that we can commercially benefit from the Listing in the following aspects:

- (1) Listing on the Main Board of the Stock Exchange can further enhance our reputation and creditworthiness, thereby helping us to attract additional business opportunities. Meanwhile, it will strengthen our bargaining power in cooperating with our customers and suppliers. The status of being a listed company in Hong Kong would also enhance our Group's reputation amongst our competitors which would help implement our business strategies, expand our customer base and increase our market share in the industry.
- (2) We believe that the scrutiny process during the Listing will enable us to demonstrate to the public that our corporate governance, legal compliance, internal control, and operational and financial reporting capabilities have satisfied the heightened standards for public companies, which could enhance our ability to attract strategic investors and business partners.

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- (3) We can attract and retain experienced staff more effectively and enhance our staff loyalty. Our Directors are of the view that experienced staff are crucial to the continuing development of our Group and that the listing status will enable us to retain our experienced staff and attract more talents to join.

- (4) Listing on the Main Board of the Stock Exchange can help us establish our international presence and access to foreign funding sources, which is strategically critical to our long-term growth as it will provide us with additional sources to raise capital for expansion and other development needs. Following the Listing, we will have access to the capital markets, providing us additional sources for future fundraising through the issuance of equity and debt securities for business expansion.