
FUTURE PLANS AND [REDACTED]

FUTURE PLANS

We strive to optimise our heat service operation and enhance our position as an well-established cross-provincial heat service operator in the PRC through our business strategies. See “Business – Our strategies” in this document for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive [REDACTED] of approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million from the [REDACTED], after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per H Share (being the mid-point of the indicative [REDACTED] range set out on the cover page of this document).

Our Directors intend to apply the [REDACTED] from the [REDACTED] for the following purposes:

- (1) approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for construction of new peak-shaving boiler in our heat source peak-shaving station for our Lanzhou New Area Project (蘭州新區供熱調峰鍋爐建設項目) (the “**Lanzhou Peak-shaving Boiler Construction**”). The construction activities mainly consist of (i) construction of new coal-fired boiler and relevant supporting equipment; (ii) construction of heat source peak-shaving station and supporting infrastructure; and (iii) other ancillary construction activities such as installation of transmission line.

According to the approval from Lanzhou New Area Economy Development Bureau* (蘭州新區經濟發展局) obtained in March 2020, the new peak-shaving boiler has commenced construction in June 2022 and the construction and construction acceptance check is expected to be completed prior to the commencement of 2023/2024 heat service period. The new heat source peak-shaving boiler will be put into use upon the completion of construction acceptance check to meet the demand for heat services. Therefore, the construction of a heat source peak-shaving boiler can support the increasing demand for heat services along with the steady expansion of our actual heat service area. In February 2021, we applied to Lanzhou Bureau to commence the Lanzhou Peak-shaving Station Construction Project. According to the Frost & Sullivan Report, our Group’s performance in achieving the Emission Limit set out under the Technical Specifications reaches the standard achieved by other major leading players of the heat services industry. For the details related to our heat source peak-shaving boiler, see “Business – Heat sources” in this document. We expect that the Lanzhou Peak-shaving Boiler Construction can meet the growing demand of heat services attributable to the construction activities of public utility

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infrastructure in Lanzhou New Area (蘭州新區). See “Business – Our strategies – Bolster our business presence in the “Three North” region and enlarge our customer base” in this document for more details related to the urbanisation and economic reform in Lanzhou New Area (蘭州新區) in the following five years. In light of the above and as confirmed by Frost & Sullivan, our Directors consider that the demand for heat services will not be shrunken in the long run and no change in PRC government policies with respect to heat services will be likely to render the implementation plan for the Lanzhou Peak-shaving Boiler Construction not viable as at the Latest Practicable Date.

We expect that the [REDACTED] allocated to the Lanzhou Peak-shaving Boiler Construction will be fully utilised by 2024 with details breakdown of the proceeds to be allocated as below:

Major uses	Amount of [REDACTED] <i>(RMB in millions)</i>	Percentage of total [REDACTED] <i>(%)</i>	Time frame	
			2023	2024
(i) Construction of new coal-fired boiler and relevant supporting equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii) Construction of heat source peak-shaving station and supporting infrastructure	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(iii) Others	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

- (2) approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used for the construction of primary distribution pipelines and heat service facilities, procurement of relevant equipment and devices for our heat service operation and future expansion of our Xinmi Project (新密供熱準備及擴展項目) (the “**Xinmi Project Preparation and Expansion**”). The Xinmi Project Preparation and Expansion includes (i) construction of primary distribution pipeline networks; (ii) procurement of raw materials for the construction of primary distribution pipeline networks; and (iii) engagement of third-party contractors for construction-related services including design and consultancy services.

In December 2021, we obtained a concession to operate a heat service project in Xinmi of Henan Province which is outside of the “Three North” region. We expect that our heat service operation in Xinmi will commence from the 2023/2024 heat service period in or around November 2023. We expect we can fully utilise our total Concession Area in Xinmi of Henan Province and expand our heat service

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accordingly in response to the Overall Xinmi City Urban-rural Development (2018-2035) (新密市城鄉總體規劃(2018-2035)), which has designated a target that 90% of the administrative area in Xinmi shall have access to heat services by 2035. For the background of our preparation of the Xinmi Project Preparation and Expansion, see “Business – Our strategies – Expand our national footprint and increase our market share” in this document.

We expect that the [REDACTED] allocated to the Xinmi Project Preparation and Expansion will be fully utilised by 2024 with details breakdown of the proceeds to be allocated as below:

Major uses	Amount of [REDACTED] <i>(RMB in millions)</i>	Percentage of total [REDACTED] <i>(%)</i>	Time frame	
			2023	2024
(i) Construction of primary distribution pipeline networks	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(ii) Procurement of raw materials for the construction of primary distribution pipeline networks	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
(iii) Engagement of third-party contractors for construction-related services including design and consultancy services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

According to the Frost & Sullivan Report, to meet the increasing demand for the heat services, which mainly results from the rapid growth in urbanisation rate and the increasing penetration of the heat services in China, total area and pipeline length of the heat services in China rose significantly during the last few years. According to the same report, most of the municipal heating regulations adopted in the cities where the Group operates such as the Administrative Measures for Urban Heat Supply and Use in Lanzhou New Area (《蘭州新區城市供熱用熱管理辦法》) and Hulunbuir Urban Heat Supply Administration Measures (Trial) (《呼倫貝爾市城鎮供熱管理辦法》) specify that companies providing heat services would need to have stable and reliable heating resources ensuring a stable supply of heat services. In addition, the sustainability of China’s heat service business is less likely to be affected due to the risk of stagflation in the world economy and global instabilities and uncertainties. In light of the above and as confirmed by Frost & Sullivan, our Directors consider that the demand for heat services will not be shrunken in the long run and no change in PRC government policies with respect to heat services will be likely to render the implementation plan for the Xinmi Project Preparation and Expansion not viable as at the Latest Practicable Date.

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- (3) approximately HK\$[REDACTED] million (equivalent to approximately RMB[REDACTED] million), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], will be used as working capital and other general corporate purposes.

We expect that the [REDACTED] allocated to the foregoing purposes will be fully utilised by 2024, presuming that there is no significant change of conditions, with details breakdown of the proceeds to be allocated as below:

Major categories	Amount of proceeds	Percentage of total proceeds	Time frame	
			2023	2024
	<i>(RMB in millions)</i>	<i>(%)</i>	<i>(RMB in millions)</i>	
Lanzhou Peak-shaving Boiler Construction	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Xinmi Project Preparation and Expansion	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The above allocation of the proceeds 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 estimated [REDACTED] range:

If the [REDACTED] is fixed at HK\$[REDACTED] per H Share, being the high-end of the [REDACTED] range stated in this document and assuming no exercise of the [REDACTED], the [REDACTED] will be increased by approximately HK\$[REDACTED]. If the [REDACTED] is fixed at HK\$[REDACTED] per H Share, being the low-end of the [REDACTED] range stated in this document and assuming no exercise of the [REDACTED], the [REDACTED] will be reduced by approximately HK\$[REDACTED]. If the [REDACTED] is set either above or below the mid-point of the indicative [REDACTED] range, we intend to adjust our allocation of [REDACTED] for the above purposes on a pro rata basis.

The additional [REDACTED] that we would receive if the [REDACTED] is exercised in full would be HK\$[REDACTED] after deducting the [REDACTED] commissions and other estimated expenses payable by us in connection with the [REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the [REDACTED] range stated in this document). Additional [REDACTED] received due to the exercise of any [REDACTED] will be utilised according to the allocation of [REDACTED] for the above purposes on a pro rata basis.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to apply the unused [REDACTED] to short-term interest-bearing deposits with licenced banks or authorised financial institutions only in Hong Kong or the PRC.

If any part of our plans does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the [REDACTED] from the [REDACTED]. We will make an appropriate announcement if there is any change to the above proposed [REDACTED] or if any amount of the proceeds will be used for general corporate purpose.