
FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

Please refer to “Business – Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive [REDACTED] of HK\$[REDACTED] million from the [REDACTED], assuming that an [REDACTED] of HK\$[REDACTED] per share (being the mid-point of the [REDACTED] range) and the [REDACTED] is not exercised, and after deducing the [REDACTED] and other estimated expenses payable by us in connection with [REDACTED]. We intend to use such [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% (or HK\$[REDACTED] million) to be used for financing new energy projects of our Company. To implement the development strategy of “investment diversification and the integration of investment, construction and operation”, we intend to apply the [REDACTED] allocated hereunder for equity investments for new energy project. We intend to cooperate with other private entities in investing in and building privately-owned facilities and generate profit through the operation of such facilities. Detail breakdown of the [REDACTED] to be applied for new energy projects is set out as follows:
 - (i) approximately [REDACTED]% (or HK\$[REDACTED] million) to be used for financing our existing and new photovoltaic projects, major expenditures include payment used in investment in the establishment of a project company, purchase of equipments such as photovoltaic modules and inverters, purchase of raw materials such as steel, cement and concrete, construction costs and provision of operating funds, etc, in the name of the project company including:
 - (a) approximately [REDACTED]% to be used for financing our future centralized photovoltaic projects. Our Construction Enterprise Qualification Certificate is valid until December 31, 2023, pursuant to which we are eligible to undertake power engineering construction projects. Accordingly, based on our prior experience, the Directors believe that there is no legal impediment to obtain the requisite project filling certificates and approvals. The [REDACTED] allocated hereunder are proposed to be used to pay up the registered capital of the relevant project company. We plan to utilize the [REDACTED] allocated to our centralized photovoltaic projects within two years after the [REDACTED]; and
 - (b) approximately [REDACTED]% to be used for financing our investment in existing and future distributed photovoltaic projects, including the 1.52MW rooftop photovoltaic project in Shanxi Construction Industry Modernization Xiaohe Park Phase II (Plant 2#) and the 2.94MW rooftop photovoltaic project in Shanxi Construction Jindongnan Industrial

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Park, all of which the project filing certificates have been obtained as at the Latest Practicable Date. It is expected that [REDACTED] allocated to this segment will be utilized within two years after the [REDACTED].

- (ii) approximately [REDACTED]% (or HK\$[REDACTED] million) to be used for our future investment in wind power projects in the PRC or abroad. [REDACTED] allocated for investment in wind power projects are intended to be used to acquire equity interest in project company(ies) or used in investment in the establishment of a project company by way of paid-up registered capital of such project company, purchase of equipment such as wind turbines and towers, main transformer equipment, purchase of raw materials such as steel, cement and concrete, construction costs and provision of operating funds, etc (depending on actual demands of the projects at the relevant time) through the project company. If we invest in wind power projects by acquiring equity interest in project company(ies), our selection criteria for acquisition target(s) includes whether all applicable certificates and permits have been obtained from relevant governments or approval authorities in relation to such projects as well as the location, development potential, and investment return of such project(s). We expect the [REDACTED] allocated for our wind power project will be utilised within three years from the [REDACTED], subject to availability of suitable investment opportunities. As at the Latest Practicable Date, we have yet to identify any suitable acquisition targets.

- (iii) approximately [REDACTED]% (or HK\$[REDACTED] million) to be used for financing the future equity investment in and/or construction of other types of new energy projects and it is expected that the [REDACTED] will be utilised within three years from the [REDACTED]. We intend to use part of the [REDACTED] for the development of energy storage business (including pumped-storage hydroelectricity (抽水蓄能) business, compressed air energy storage (壓縮空氣儲能) business and other energy storage businesses) of the Company. According to Frost & Sullivan, the PRC’s new energy sector is growing following the transition towards a service-based economic mode which places the emphasis on electricity, natural gas and cleaner, high-efficiency and digital technologies. Market size of new energy industry works by total output value in the PRC increased from RMB1,775.7 billion in 2017 to RMB2,831.9 billion in 2022, at a CAGR of 9.8%. Benefited from the supportive government policies, namely the New Energy Law of the People’s Republic of China, growing energy needs in the PRC and increasing investment in new energy, market size of new energy industry works by total output value in the PRC is expected to reach RMB4,501.8 billion in 2027, at a CAGR of 9.7%. In particular, according to Frost & Sullivan, Shanxi is the PRC’s first pilot province for comprehensive energy revolution reforms and is in the transition to a low-carbon energy structure, aligning itself with the country’s goal to peak carbon emission by 2030 and reach carbon neutrality by 2060, and it is expected that the market size of new energy industry works by total output value in Shanxi Province will reach RMB178.2 billion by 2027, at a CAGR of 13.3% from 2023 to 2027. Our Company intend to ride on the rapid

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development trend in the new energy sector in Shanxi and to further expand our business in the new energy sector, thus to capture and capitalize the market opportunity thereof. We plan to invest in development and construction project(s) of energy storage business. As at the Latest Practicable Date, we have yet to identify any suitable investment opportunities.

We believe that the investments in wind power, photovoltaics and other types of new energy projects by our Company in the future will help to accelerate the development of new energy business and consolidate our position in the relevant market. We expect that the new energy industry will continue to develop rapidly, in particular, wind energy and solar energy will embrace technological breakthroughs and industrial scale expansion. According to Frost & Sullivan, new energy industry are growing fast in the PRC, with market size of projects by total output value in the PRC increasing from RMB1,775.7 billion in 2017 to RMB2,831.9 billion in 2022, at a CAGR of 9.8%. Benefited from the supportive government policies, growing energy needs in the PRC and increasing investment in new energy, market size of new energy industry projects by total output value in the PRC is expected to reach RMB4,501.8 billion in 2027, at a CAGR of 9.7%.

In light of the above trends, we have a competitive strength to capture business opportunities brought about by the sustained and rapid development of the new energy industry on the following basis: (i) we have obtained the First Grade Qualification of General Contracting for Power Engineering Construction, the Grade B Design Qualification for Power Industry and the Second-Grade Qualification for Electric Power Installation (Repair and Debugging). In recent years, we have undertaken a number of new energy projects such as wind power and photovoltaic power, accumulated rich experience in construction, possessed the advantage of centralized procurement of materials and equipment, and built a group of professional project management team; and (ii) we have advantages of four-in-one whole industry chain, providing integrated solutions, implementing fine management of the whole process, so as to achieve lean construction by using digital platforms such as project integrated management, BIM+AI, and BIM+assembly.

The investments in the aforesaid new energy projects were determined by us after market analysis based on the feasibility study report issued by the third-party organization, taking into account the project development prospects, economic benefits, industrial policies and other factors. We believe that capturing the development opportunities in the new energy sector and actively investing in new energy projects are crucial to us. For more information on the necessity to fund new energy projects, please refer to “BUSINESS – OUR STRATEGIES – Capture the opportunities brought by the national strategy of coordinated development, so as to accelerate development of new energy business”.

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- approximately [REDACTED]% (or HK\$[REDACTED] million) to be used for financing our equity investment commitment by way of paying up the registered capital of the relevant project companies established for our existing and new PPP projects. Part of the [REDACTED] allocated hereunder will be used to finance other construction projects of our Company such as clean heating, distributed energy, water treatment and solid waste disposal, and major expenditures of which include payment used in investment and establishment of project companies, as well as purchase of equipment, raw materials such as steel, cement and concrete, construction costs and provision of operating funds, etc, through the relevant project companies. Detail breakdown of the use of [REDACTED] allocated hereunder is set out as below:

- (i) approximately [REDACTED]% to be used for financing our existing and future clean heating projects including the Chaha’er Youyi Houqi Heat Power Generation concession project. We intend to invest in clean heating projects after investigating the current situation of heating supply in and out of Shanxi Province, paying close attention on the information of local governments on shutting down small furnaces, and its plan towards heat-consumption enterprises. It aims to focus on promoting the realization of clean heating in the form of long-distance transmission pipelines, and to bidding and undertaking clean heating projects with a wide range of qualifications. We expect the [REDACTED] allocated for our clean heating project will be utilised within three years from the [REDACTED], subject to availability of suitable investment opportunities. As at the Latest Practicable Date, we have yet to identify any suitable investment targets.
- (ii) approximately [REDACTED]% to be used for financing our future distributed energy projects, we have identified and currently under negotiation a rooftop photovoltaic power generation project located at an industrial park in Taiyuan, Shanxi and other rooftop photovoltaic projects in Shanxi, we are actively communicating with relevant industrial parks and/or companies and negotiating relevant cooperation terms of respective construction projects, and the [REDACTED] allocated to such projects are expected to be utilised within 18 months from [REDACTED]. As at the Latest Practicable Date, we have yet to confirm any projects hereunder.

We seized the business opportunities for distributed energy in the construction industrial park where SCIG Group operates to further optimize the cooperation mode with the industrial park and made the above investments. We investigated the demands of integrated energy services and proposed integrated energy plans where appropriate, and thereby building quality brands with these projects, so that we can rapidly expand to external markets.

- (iii) approximately [REDACTED]% will be used for financing our existing water treatment projects. It is expected that the [REDACTED] allocated for our water treatment projects will be utilised within six months from [REDACTED];

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We aim to adopt a combination of top-level design and grass-roots promotion to promote the implementation of the projects of wastewater treatment in organic towns in various regions.

- (iv) approximately [REDACTED]% will be used for financing our future solid waste disposal projects. We have identified a few potential domestic waste treatment projects in several cities including Taiyuan, Jincheng, Yangquan, and Changzhi and the [REDACTED] allocated hereunder are expected to be utilised within three years from [REDACTED]. As at the Latest Practicable Date, we have yet to confirm any projects hereunder;

The aforesaid investments were based on the current situation of the construction of urban and rural domestic waste treatment projects in the county areas in Shanxi Province, as well as industry policies, market prospects and actual situation of the corporate. We aim to become the principal of the implementation of urban and rural domestic waste treatment projects in the county areas in Shanxi Province, undertaking all the urban and rural domestic waste treatment projects in Shanxi Province, in order to realize the integration of investment, construction, operation and management.

- (v) approximately [REDACTED]% will be used for the existing PPP Project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park of Yangquan Economic and Technological Development Zone, and major expenditures will be used for paying up the registered capital of the project company and the payment of construction fee, including for purchase of equipments required such as substation, intelligent platform, purchase of raw materials such as steel, cement and concrete, construction and installation costs, other construction costs and provision of operating funds, etc, subject to the actual use to be resolved by the project company;

In March 2022, we entered into the PPP project contract with Yangquan Suburban District Bureau of Commerce, pursuant to which, we were responsible for the investment and financing, construction, operation and maintenance of supporting facilities of the park roads and related municipalities of planned construction of the Weibo starting Area with a total of 5,000,000 sq.m. in the suburban Yinying Industrial Park and Yinying Industrial Park in Hedi Town. The total investment of the project is RMB650 million and the registered capital of the project company is RMB130 million, of which we contributed RMB104 million. The project adopts the BOT model with a cooperation period of 30 years, which is divided into a 2-year construction period and a 28-year operation period. It is expected to be completed and put into operation in March 2024. After the expiration of each operating year, the government will pay us the corresponding viability gap funding of the government according to the performance evaluation results, including the availability service fee, operation and maintenance performance

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service fee and user income calculated according to the established formula. After the expiration of the cooperation period, given satisfactory performance record, we will enjoy the priority to continue to operate under the same conditions. It is expected that the [REDACTED] allocated for the aforesaid PPP project in Yangquan will be utilised within one year from [REDACTED].

- (vi) approximately [REDACTED]% will be used for the existing PPP Project of Quality Improvement Project (New Party School, Qinshui-East Link Traffic Hub Project) of Qinshui County, Jincheng City, Shanxi Province, for making payment of the construction fee for purchase of equipments required such as supporting facilities of the new party school, purchase of raw materials such as steel, cement and concrete, construction and installation costs, other construction costs and provision of operating funds, etc;

In April 2022, we entered into a PPP project contract with the Housing and Urban-Rural Development Bureau of Qinshui County, Jincheng City, Shanxi Province, pursuant to which, we were responsible for the construction of a new party school with a total GFA of 32,058 sq.m. and the investment and financing, construction, operation and maintenance of the Qinshui East Link Traffic Hub Project with a total route length of approximately two kilometres. The total investment amount of these projects is RMB854.3 million and the registered capital of the project company is RMB130 million, of which we contributed RMB68.3 million. The project adopts the BOT model with a cooperation period of 22 years, which is divided into a 2-year construction period and a 20-year operation period. It is expected to be completed and put into operation in June 2024. We receive viability gap funding and government grants in accordance with the established formula. After the expiration of the cooperation period, given satisfactory performance record, we will enjoy the priority to continue to operate under the same conditions. As of the Latest Practicable Date, the project has entered construction stage and the [REDACTED] allocated hereunder are expected to be utilised within one year from [REDACTED].

- (vii) approximately [REDACTED]% will be used for our existing and future PPP projects including the PPP Project of Urban Flood Control and Drainage and Comprehensive Treatment of Ecological Environment in Zhangzi County, Changzhi City, the new PPP project which we won the tender of the project in late 2022. As of the Latest Practicable Date, we were at the preliminary preparation stage of new PPP project and the [REDACTED] allocated hereunder are expected to be utilised within two years from [REDACTED] as paid-up registered capital of the relevant project company(ies).
- approximately [REDACTED]% (or HK\$[REDACTED] million), to be used for financing new energy projects of upstream and downstream manufacturing industries, major expenditures include the payment used in purchase of tower production line equipments and related ancillary facilities, purchase of raw materials

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such as steel, cement and concrete and construction of the park, etc, including: (i) approximately [REDACTED]% to be used for our existing heavy-steel structure plant base and such [REDACTED] are expected to be used to fund part of the paid-up registered capital and within 18 months from [REDACTED]; and (ii) approximately [REDACTED]% to be used for financing our future equity investment in other upstream and downstream manufacturing industries related to construction works, for example, equity investment in industrial park with production line for construction equipments. Currently, we are conducting feasibility study for investing in different upstream-downstream industries related to construction works. Selection criteria for investment targets(s) hereunder include but not limited to the potential synergistic effect of such investment target and our existing business, the expected return of such investment, business scale of available targets(s), market potential of the industry that the investment target(s) is/are engaged in and etc. Subject to the availability of investment target(s), we expect the [REDACTED] allocated to future investment in upstream and downstream manufacturing industry projects will be utilised within two years after [REDACTED]. As at the Latest Practicable Date, we have not identified any suitable investment opportunities.

- approximately [REDACTED]% (or HK\$[REDACTED] million), to be used for working capital and general corporate purposes, and such [REDACTED] will be utilised within six months from [REDACTED].

We intend to utilize the [REDACTED] from the [REDACTED] within two to three years from the date of [REDACTED]. Due to the nature of our intended use of the [REDACTED], timing of applying such [REDACTED] is subject to a number of factors such as tender results, negotiations with counterparties in finalising terms of our PPP projects and etc. Based on the information currently available to the Directors, it is expected that the [REDACTED] from the [REDACTED] will be utilized as intended within two to three years from the [REDACTED].

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The following table sets forth a breakdown and timeframe of the utilization of the [REDACTED]:

Intended use of [REDACTED]	Within 6 months after [REDACTED] <i>HKD'000</i>	Within 12 months after [REDACTED] <i>HKD'000</i>	Within 18 months after [REDACTED] <i>HKD'000</i>	Within two years after [REDACTED] <i>HKD'000</i>	Within three years after [REDACTED] <i>HKD'000</i>	Total [REDACTED] <i>HKD'000</i>
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Financing our new energy projects

• Wind power project	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Photovoltaic projects						
o <i>Centralized photovoltaic projects</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
o <i>Distributed photovoltaic projects</i>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Other type of new energy projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total:	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Financing our equity investment commitment in future and current PPP projects

• Clean heating projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Distributed energy projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Water treatment projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Solid waste disposal projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• PPP project of Infrastructure Improvement in Weibo Equipment Manufacturing Starting Area of Yinying Industrial Park in Yangquan Economic and Technological Development Zone	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Quality Improvement PPP Projects in Qinshui County	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Other PPP projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total:	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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	Within 6 months after	Within 12 months after	Within 18 months after	Within two years after	Within three years after	Total
Intended use of [REDACTED]	[REDACTED] HKD'000	[REDACTED] HKD'000	[REDACTED] HKD'000	[REDACTED] HKD'000	[REDACTED] HKD'000	[REDACTED] HKD'000
Financing new energy projects of upstream and downstream manufacturing industries						
• Heavy steel structure plant base	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
• Other future equity investment in upstream and downstream manufacturing industries	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Sub-total:	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital and general corporate purpose	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total:	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the [REDACTED] range, if the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] of these additional Shares will be approximately HK\$[REDACTED] million, after deducting the [REDACTED] and other estimated expenses payable by us in connection with the [REDACTED]. We intend to use such additional [REDACTED] for the above uses on a pro rata basis.

If the [REDACTED] is fixed at HK\$[REDACTED] per H Share, being the high-end of the [REDACTED] range, and given that the [REDACTED] is not exercised, we will receive additional [REDACTED] of approximately HK\$[REDACTED] million. If the [REDACTED] is fixed at HK\$[REDACTED] per H Share, being the low-end of the [REDACTED] range, and given that the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by approximately HK\$[REDACTED] million. If the [REDACTED] is set above the mid-point of the [REDACTED] range, we intend to apply the additional amounts towards to the above uses on a pro rata basis. If the [REDACTED] is set below the mid-point of the [REDACTED] range, we intend to reduce the amounts allocated to the above uses on a pro rata basis.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] in the event that we make a [REDACTED], the [REDACTED] we receive will be approximately HK\$[REDACTED] million, after deduction of [REDACTED] and estimated expenses

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payable by us in connection with the [REDACTED]. The estimated [REDACTED] we will receive from the [REDACTED] will be reduced by approximately HK\$[REDACTED] million. (i.e. decrease from HK\$[REDACTED] million to HK\$[REDACTED] million).

To the extent our [REDACTED] are further reduced due to the adoption of [REDACTED], we will adjust the above allocation of the [REDACTED] from the [REDACTED] on a pro rata basis.

If the [REDACTED] of the [REDACTED] are not immediately applied to the above purposes, we will only deposit those [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions in Hong Kong and the PRC (as defined under the SFO, the Law of the PRC on Commercial Banks (2015 Amendments) (《中華人民共和國商業銀行法(2015修正)》) and the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items Concerning Non-banking Financial Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》)).