
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business—Our Development Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$3.00 per Offer Share (which is the mid-point of the indicative Offer Price range set forth in this prospectus) and that the Over-allotment Option is not exercised, we estimate that we will receive net proceeds of approximately HK\$618 million from the Global Offering after deducting the underwriting commissions and other estimated expenses payable by us. Assuming an Offer Price of HK\$3.00 per Offer Share (which is the mid-point of the indicative Offer Price range set forth in this prospectus) and that the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Offer Shares received by us will be approximately HK\$109 million, after deducting the underwriting commissions and other estimated expenses.

We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders pursuant to the Global Offering. Assuming an Offer Price of HK\$3.00 per Offer Share (which is the mid-point of the indicative Offer Price range set forth in this prospectus) and that the Over-allotment Option is not exercised, we estimate that the Selling Shareholders will receive net proceeds of approximately HK\$106 million from the Global Offering after deducting the underwriting commissions and other estimated expenses.

In line with our business development strategies, we intend to use the net proceeds from the Global Offering for the purposes and in the amounts set forth below (assuming that the Over-allotment Option is not exercised):

1. Approximately 65% of the net proceeds, or HK\$401 million, is expected to be used to expand our concession operation business.
 - (1) Approximately 35% of the net proceeds, or HK\$216 million is expected to be used for strategic acquisition.

We will seek strategic opportunities for mergers and acquisitions and expand the platform for capital operation to support our sustainable development.

We will thoroughly assess, among other factors, the strategic rationale, potential synergies, growth prospect and valuation in accordance with business needs and market opportunities that arise continually. We primarily seek targets with sound prospects in the environmental protection sector that would bring synergy to our strategic development and are in line with the policy trend of “third-party treatment”. Our potential targets are expected to primarily include concession projects or companies in the desulfurization, denitrification and “ultra-low emission” business, and projects or companies in water, soil and solid waste treatment business. We expect that it will normally take around 8 to 16 months from identifying an acquisition target to completion of the acquisition. We will consider and pursue acquisition opportunities by taking into account, among others, the following factors:

- the strategic rationale of investing in the target;
- the business prospect of the target and its alignment with our overall business strategy;

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- the investment returns and synergies that we expect to achieve from the acquisitions;
- valuation and accounting impact of the acquisitions;
- findings from due diligence on the acquisition target; and
- challenges and expenses that could arise from integrating the businesses.

As of the Latest Practicable Date, we have been identifying and approaching various acquisition targets, although we did not form any definitive intent to acquire any target.

- (2) Moreover, approximately 30% of the net proceeds, or HK\$185 million is expected to be used for the new concession projects or the upgrade of the concession projects. We will continue to upgrade our existing concession projects pursuant to the “ultra-low emission” national standards, which is expected, subject to our negotiation with our customers, to bring us additional revenue based on the upgrade standards, our investments for the upgrades and changes in operational costs as a result of the upgrades.

Leveraging the policy trend of “third-party treatment” of environmental pollution advocated by the State, we will focus on the development of concession operation to continuously optimize our business structure.

2. Approximately 20% of the net proceeds, or HK\$124 million, will be used for sewage treatment, soil and solid waste treatment fields and the development of new business of non-electricity industry.

We will further expand our business scope based on our core competitive strengths in the flue gas treatment industry to become a comprehensive environmental protection engineering enterprise.

3. Approximately 10% of the net proceeds, or HK\$62 million, will be used to support working capital and other general corporate purposes.
4. Approximately 5% of the net proceeds, or HK\$31 million, will be used for research and development expenditures, focusing on the gas treatment, water treatment, solid waste treatment and other environmental protection solutions.

We will continue to increase our investments and efforts in technology R&D and technology innovation and strengthen the conversion of policy research results and technological achievements to provide technical support for our market development.

For details, please see the section headed “Business—Our Development Strategies” in this prospectus. We do not expect to use our currently available funding resources for the above purposes. For details on the funding resources currently available to us, please see “Financial Information—Liquidity and Capital Resources”.

To the extent that our net proceeds are either more or less than expected (assuming that the Over-allotment Option is not exercised), we will adjust the allocation of our net proceeds for the above purposes on a pro rata basis.

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Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purpose accordingly on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds of the Global Offering are not immediately required to be financed for the above purposes, the Directors currently intend that such proceeds will be placed with licensed banks or other financial institutions as short-term deposits.