
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph titled “Our strategies” in the “Business” section of this prospectus for a detailed description of future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$1.13 per Share (being the mid-point of the estimated price range), we estimate that the net proceeds to us from the Share Offer will be approximately HK\$200 million (equivalent to approximately RMB162 million), after deducting the underwriting commissions and other estimated expenses payable by us in relation to the Share Offer. We intend to use the net proceeds to us from the Share Offer as follows:

- approximately 69%, or approximately HK\$138 million (equivalent to approximately RMB112 million), will be used for the expansion of production plants and the upgrade of the existing facilities of the Group, in which
 - approximately 32% or approximately HK\$64 million (equivalent to approximately RMB52 million), will be applied as the purchase and upgrade of machinery, equipment and other fixed assets of the facilities in the Jiangning Plant.
 - approximately 27% or approximately HK\$54 million (equivalent to approximately RMB44 million), will be applied to build the New Nanjing Plant (which includes the cost of land, construction of relevant factory premises and purchase of machinery, equipment and other fixed assets of the manufacturing facilities). As at the Latest Practicable Date, we have not entered into any legally binding agreement for the acquisition of land.
 - approximately 6.7% or approximately HK\$13 million (equivalent to approximately RMB11 million), will be applied as capital contribution to Xiezhong Beijing for the construction of the Beijing Plant.
 - approximately 3.3% or approximately HK\$7 million (equivalent to approximately RMB5 million), will be applied as capital contribution to Xiezhong Liaoning for the upgrade and addition of production facilities for Fushun Plant.

Further details about our expansion plan are set out in the section headed “Business — Production facilities and production capacities — Expansion of production plant”.

- approximately 23%, or approximately HK\$46 million (equivalent to approximately RMB37 million) will be used to fund our research and development for enhancing the performance of our existing products and exploring potential new products, including HVAC systems for electric vehicles and HVAC systems for sedans with enhanced performance in different types of

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weather conditions. In line with the development trend of the automotive HVAC system industry, lightening the weight and improving the performance of our products will be our research focuses. For example, we will research on making our evaporator and condenser thinner (hence, lighter) without affecting their functionality and efficiency. Additionally, we will use our environment simulation laboratory equipment to evaluate the performance of our HVAC systems in different environment conditions and seek to improve their performance and energy efficiency.

- approximately 8%, or approximately HK\$16 million (equivalent to approximately RMB13 million) will be used for working capital and other general purposes.

In the event that the net proceeds from the Share Offer is insufficient to finance the capital expenditure as mentioned above, the shortfall will be financed by internal resources of the Group.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$39 million, respectively. In such event, we will increase or decrease the allocation of the net proceeds to the above purpose on a pro-rata basis.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors currently intend that such proceeds will be placed in short-term interest-bearing instruments such as bank deposits or money market funds with licensed banks or financial institutions.