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## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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### **BUSINESS OBJECTIVES AND STRATEGIES**

Please refer to the paragraph headed “Business strategies” under the section headed “Business” in this prospectus for our business objectives and strategies.

### **IMPLEMENTATION PLANS**

In order to implement the business objectives and strategies as described above, set forth below are our implementation plans for each of the six-month periods until 31 March 2017. It should be noted that our implementation plans are formulated on the bases and assumptions referred to in the paragraphs under the sub-section headed “Bases and assumptions” below. These bases and assumptions are subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed “Risk factors” in this prospectus.

#### **From the Latest Practicable Date to 30 September 2015**

- Assuming Kwan On successfully obtains any projects with terms of around 24 months and estimated contract sum of HK\$450 million from the Government (the “New Projects”), prepare the kick-off of project implementation (including analysing the requirements on plant, project management and technical personnel)
- Recruit required staff for project management and technical personnel (including one project manager, one site agents, two quantity surveyors and two safety officers)
- Commence the engagement of subcontractors and enter into bulk purchase agreements with suppliers of major materials
- Form the project management team from existing staff and recruit new staff where necessary and compile master program for the Ongoing Contracts
- Monitor the progress of implementation by the subcontractors for the Ongoing Contracts
- Purchase equipment and machinery (including two motor vehicles amounted to approximately HK\$0.1 million)

#### **For the six months ending 31 March 2016**

- Monitor the tender notice published by the relevant Government departments for public works and identify prospective projects
- Form the project management team and compile master programs for the New Projects
- Implementation of works in accordance with the contract under the New Projects

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## **STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS**

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- Submit tenders, in particular, for roads and drainage services and/or waterworks engineering contracts
- Purchase equipment and machinery (including two motor vehicles, two excavators and two air compressors amounted to approximately HK\$1.5 million)
- Recruit the project management and technical personnel required for implementation of the New Projects (including one site agent, one quantity surveyor and one safety officer)
- Implement the New Projects in progress
- Maintain ongoing quality assurance and safety review on the works performed
- Strengthening of safety team
- Recruit additional safety officer for quality assurance
- Review the safety policy to address the risk areas and potential hazards and formulate improvement steps and procedures
- Implement the Ongoing Contracts and the New Projects as programmed
- Monitor the progress of implementation by the subcontractors for the Ongoing Contracts and the New Projects

### **For the six months ending 30 September 2016**

- Monitor the forecasts of work tenders published by the Government and participate in the tendering of prospective projects
- Implement the New Projects as programmed
- Monitor ongoing quality assurance and safety review on the works performed
- Implement the Ongoing Contracts
- Monitor the progress of implementation by the subcontractors for the Ongoing Contracts and the New Projects
- Purchase equipment and machinery (including two cranes, amounted to approximately HK\$0.6 million)

### **For the six months ending 31 March 2017**

- Monitor the forecasts of work tenders published by the Government and participate in the tendering of prospective projects

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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- Implement the New Projects as programmed
- Monitor ongoing quality assurance and safety review on the works performed by us
- Implement the Ongoing Contracts
- Monitor the progress of implementation by the subcontractors for the Ongoing Contracts and the New Projects

### BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 31 March 2017:

- (a) there will be no material changes in the existing political, legal, fiscal or economic conditions in Hong Kong, and any other places in which any member of our Group carries on or will carry on business and provides or will provide human resources related services;
- (b) there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;
- (c) the Placing will be completed in accordance with and as described in the section headed “Structure and conditions of the Placing” to this prospectus;
- (d) we are able to maintain our customers;
- (e) we are able to retain key staff in the management and the main operational departments;
- (f) we will not be materially affected by any risk factors set out in the section headed “Risk factors” to this prospectus; and
- (g) we will be able to continue our operation in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our development plans without disruptions adversely affecting our operations or business objectives in any way.

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### REASONS FOR THE PLACING AND USE OF PROCEEDS

Our Directors believe that the listing of the Shares on GEM will enhance our Group's profile and the net proceeds from the Placing will strengthen our financial position and will enable us to implement our business plans set out in the paragraph headed "Business objectives" above. Furthermore, a public listing status on the Stock Exchange will offer us access to capital markets for corporate finance exercise to assist in our future business development, enhance our corporate profile and strengthen our competitiveness.

The net proceeds from the Placing, after deducting the related expenses, are estimated to be approximately HK\$26.7 million. Our Directors presently intend that the net proceeds will be applied as follows:

- approximately 68.1% of the net proceeds or approximately HK\$18.2 million, for repayment of the bank loans;
- approximately 16.4% of the net proceeds or approximately HK\$4.4 million, for the recruitment of staff for project management and technical personnel;
- approximately 8.0% of the net proceeds or approximately HK\$2.1 million, for the purchase of required equipment and machinery; and
- approximately 7.5% of the net proceeds, or approximately HK\$2.0 million, for use as general working capital of our Group.

In summary, the implementation of our Group's business objectives and strategies from the Latest Practicable Date to 31 March 2017 will be funded by the net proceeds from the Placing as follows:

	For the six months ending				Total
	30 September 2015	31 March 2016	30 September 2016	31 March 2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Recruitment of staff for project management and technical personnel	1,086	1,596	1,704	–	4,386
Purchase of required equipment and machinery	100	1,450	580	–	2,130
Repayment of bank loans	18,164	–	–	–	18,164
	<u>19,350</u>	<u>3,046</u>	<u>2,284</u>	<u>–</u>	<u>24,680</u>

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## STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

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The bank loans to be repaid by using of the net proceeds from the Placing are set out below:

<b>Bank Loan</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Total</b>
Loan amount	HK\$12.0 million	HK\$6.0 million	HK\$6.2 million	
Drawdown date	August 2012	February 2015	January and February 2015	
Interest rate ( <i>Note</i> )	P-1.25%	5.25%	4.24%	
Maturity	August 2017	April 2015	Approximately HK\$4.2 million in April 2015 and approximately HK\$2.0 million in May 2015	
Amount to be repaid approximately	HK\$6.1 million	HK\$5.9 million	HK\$6.2 million	HK\$18.2 million

*Note:* P is the prime rate, being 5.25%

Bank Loan A was used as to approximately HK\$5.2 million for the payment of subcontracting charges, approximately HK\$6.7 million for the purchase of materials and the remainder for machinery maintenance, bank charges and others. Bank Loan B and C were drawn from general banking facilities and repayable in April and May 2015 used for financing the daily operation of our Group.

The balance of the net proceeds of approximately HK\$2.0 million will be used for general working capital of our Group.

Our Directors consider that the net proceeds from the Placing will be sufficient to finance our Group's business plans up to the year ending 31 March 2017.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of our Directors that such net proceeds be placed on short-term interest bearing deposits with authorised financial institutions.

Among the Placing Shares, there are an aggregate of 120,000,000 Sale Shares offered by the Vendors for sale at the Placing Price. The net proceeds to be received by the Vendors from the sale of the Sale Shares will amount to approximately HK\$26.7 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares by the Vendors under the Placing.