
FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our business objective is to become the largest and the most acclaimed car park flooring service provider in Hong Kong. We will endeavor to achieve our business objective by implementing the business strategies as described in the section headed “Business – Business strategies” in this prospectus.

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of our business objective depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;
- there will be no material changes in legislation or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by our Group;
- there will be no significant changes in our Group’s business relationship with our major customers and suppliers;
- there will be no material changes in the funding required for each of the scheduled plans as outlined under “Implementation plan” in this section;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus;
- our Group will not be materially affected by the risk factors as set out in the section headed “Risk Factors” in this prospectus; and
- 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;

USE OF PROCEEDS

We estimate that the net proceeds to be received by us from the Share Offer, after deducting the underwriting commission and related expenses payable by our Company in the aggregate amount of approximately HK\$22.3 million, will be approximately HK\$45.2 million. We intend to apply the net proceeds from the Share Offer as follows:

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- approximately HK\$18.4 million, representing 40.7% of the net proceeds from the Share Offer, will be used for expanding our presence in the refurbishment market and purchase of an office;
- approximately HK\$13.9 million, representing 30.8% of the net proceeds from the Share Offer, will be used for strengthening our Group's leading position in the new construction market by improving our overall capacity and project management efficiency;
- HK\$10 million, representing 22.1% of the net proceeds from the Share Offer, will be used for repayment of bank loan; and
- approximately HK\$2.9 million, representing 6.4% of the net proceeds from the Share Offer, will be used for general working capital and other general corporate uses of our Group.

In the event that any part of the future plans does not materialise or proceed as planned, we will carefully evaluate the situation and may reallocate the intended funding to our other future plans and/or place the proceeds on short-term interest bearing deposit accounts with licensed banks in Hong Kong so long as we consider it to be in the best interest of our Company and our Shareholders taken as a whole. Should our Directors decide to allocate the net proceeds from the Share Offer to business plans and/or new projects of our Group other than those disclosed in this prospectus after the Listing, we will make an announcement to notify our Shareholders and investors of the changes in compliance with the GEM Listing Rules.

IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for each of the six-month periods until 31 March 2019. It should be noted that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to "Bases and assumptions" in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed "Risk Factors" in this prospectus. Our Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objectives of our Group will be accomplished at all. Nevertheless, our Directors will use their best endeavors to anticipate future changes in the industry, take measures and be flexible so that our Group may stay ahead of or react timely and appropriately to such changes.

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Based on our Group's business objectives, our Directors intend to carry out the following implementation plan:

	From the Latest		For the six months ending			Total amount to be
	Practicable Date to 31					funded by the net
	March 2017	30 September 2017	31 March 2018	30 September 2018	31 March 2019	proceeds of the Share
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Offer
						HK\$'000
(1) Expanding our presence in the refurbishment market						
- Recruit additional sales and marketing staff	450	450	450	450	450	2,250
- Organise seminars for landlords, incorporated owners and property management companies	40	40	40	40	40	200
- Send new and existing sales and site staff to suppliers' factories for product training	50	50	50	50	50	250
- Place advertisements in property and decoration magazines for consumer market	50	50	50	50	50	250
- Purchase of an office	-	15,500	-	-	-	15,500
Sub-total	590	16,090	590	590	590	18,450
(2) Strengthening our leading position in the new construction market by improving our overall capacity and project management efficiency						
<i>Strengthen our sales and marketing efforts and accordingly our Group's brand awareness in the industry</i>						
- Place advertisements in industry magazines to promote our brand to architects and professional readers	50	50	50	50	50	250
- Organise seminars, luncheon presentation for active industry players such as architects, consultancy firms, main contractors and developers and participate in exhibitions to promote our awareness and gather market intelligence to create higher Company profile	60	60	60	60	60	300
- Recruit one sales and marketing team leader with industry knowledge	150	150	150	150	150	750

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	From the Latest		For the six months ending		Total amount to be	
	Practicable Date to 31				funded by the net	
	March 2017	30 September 2017	31 March 2018	30 September 2018	31 March 2019	Offer
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Broaden our product portfolio</i>						
- Continue to expand supplier base by approaching new suppliers and provide staff training on new products	50	50	50	50	50	250
<i>Strengthening our manpower and capacity</i>						
- Hire two project managers with minimum five years experience in construction industry	300	300	300	300	300	1,500
- Hire two site foremen to overview the operations of sites	216	216	216	216	216	1,080
- Hire one assistant quantity surveyor with relevant qualification and experience	120	120	120	120	120	600
- Hire supporting staff	522	522	522	522	522	2,610
<i>Acquisition of additional machineries</i>						
- Procure additional machineries as well as light goods and passengers vehicles for transporting workers and machineries	2,802	1,652	1,002	250	250	5,956
<i>Enhancement of project management efficiency</i>						
- Procure and upgrade operating system, computer and server equipment for operational enhancement	230	200	80	50	50	610
Sub-total:	4,500	3,320	2,550	1,768	1,768	13,906
(3) Repayment of bank loan	10,000	-	-	-	-	10,000
(4) General working capital	570	570	570	570	579	2,859
Total	15,660	19,980	3,710	2,928	2,937	45,215

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REASONS FOR THE LISTING

Over the years, our business focus has been to provide car park flooring services to new construction market. Based on our business plan, in order to expand our reach in the refurbishment market, which was, according to the Industry Report, 5.3 times the size of new construction market in terms of car park flooring revenue in 2015, and to further develop the new construction market segment, we need to raise long term capital.

We also believe a listing status would enhance our corporate profile and recognition and reinforce our awareness and image among both our existing and potential customers. It would also generate reassurance amongst our existing customers and suppliers and strengthen our competitiveness in the market. In the context of our planned business expansion of the refurbishment market, a public listing could place more confidence amongst a wide customer base to which we aim to pursue in this segment. It would also enable us to convince new suppliers of car park flooring materials to establish business relationship with us and to grant us better terms.

Prior to the Listing, funding of our business activities was primarily from our own internally generated cash flow. We had approached commercial banks in the past for credit facilities. However, most banks would require collateral, either in the form of cash or immovable assets as such property. As we do not have property assets available for collateral, it has been difficult for us to secure bank borrowings, without the support by our Controlling Shareholder and on terms which we find favorable. In order to seek funding for payment of expenses associated with the Listing exercise prior to the actual listing, the Controlling Shareholders had invited the Pre-IPO Investors to invest in a total of 16.5% interest in our Company. Pursuant to share sale and purchase agreements dated 14 August 2015, Sage City sold a total of 1,650 existing shares of Victor Ease, the intermediate holding company of KMK, to four groups of investors for an aggregate consideration of HK\$15,427,500. Of this amount, HK\$10.3 million was advanced by the Controlling Shareholders to our Group to pay for professional expenses relating to the Listing in June 2016. On 19 September 2016, in preparation for the Listing exercise, a commercial bank in Hong Kong granted us an overdraft facility of HK\$10 million. Such facility was drawn down in late September 2016 to repay the above loan advanced by our Controlling Shareholders prior to the Listing. It is currently expected that the Share Offer would broaden not only our equity financing alternatives to cover public investors but could also enable us to seek bank financing under more favourable terms to finance our future business needs.

We also consider that a listing may offer our Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares. With the appointment of our independent board of non-executive Directors, we also believe our internal control and corporate governance practices will be enhanced following the Listing.