BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the section headed "Business – Business strategies" in this document for our Group's business objectives and strategies.

IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for each of the six-month periods until 30 June 2018. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed "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 document. Our Group's actual course of business may vary from the business objective set out in this document. There can be no assurance that the plans of our Group will materialise in accordance with the expected time frame or that the objective of our Group will be accomplished at all. Based on our Group's business objective, our Directors intend to carry out the following implementation plans:

For the period from the Latest Practicable Date to 31 December 2016

Further enhancing our machineries	–	To purchase one set of forklift
Further strengthening our manpower	–	To carry out recruitment including one project manager, one engineer, one safety officer, one site agent, one mechanic staff and one office staff
Leasing an additional warehouse	–	To carry out preparatory work, including but not limited to site visits and conducting negotiation with relevant landlord and/or estate agent, and enter into tenancy agreement for the warehouse
Reserving more capital to satisfy our potential customers' requirement for performance bond	–	To finance the deposit required for securing performance bond following the award of jobs to us
Settlement of finance lease liabilities	–	To repay certain finance leases in an one-off manner *(Note)*

Note: It refers to the finance lease liabilities which bare interest at flat interest rate ranging from 2.0% to 3.5% per annum, and will mature on or before 31 December 2020.

For the period from the Latest Practicable Date to 30 June 2017

Further enhancing our machineries	–	To purchase one set of loader and one motor vehicle
Further strengthening our manpower	–	To monitor and evaluate the performance of the new recruits
Leasing an additional warehouse	–	N/A
Reserving more capital to satisfy our potential customers' requirement for performance bond	–	To finance the deposit required for securing performance bond following the award of jobs to us
Settlement of finance lease liabilities	–	N/A

For the period from the Latest Practicable Date to 31 December 2017

Further enhancing our machineries	–	To purchase one set of remote controlled demolition robots
Further strengthening our manpower	–	To monitor and evaluate the performance of the new recruits
Leasing an additional warehouse	–	N/A
Reserving more capital to satisfy our potential customers' requirement for performance bond	–	To finance the deposit required for securing performance bond following the award of jobs to us
Settlement of finance lease liabilities	–	N/A

For the period from the Latest Practicable Date to 30 June 2018

Further enhancing our machineries	–	To purchase one set of forklift and one motor vehicle
Further strengthening our manpower	–	To monitor and evaluate the performance of the new recruits
Leasing an additional warehouse	–	N/A

Reserving more capital to satisfy our potential customers' requirement for performance bond	–	To finance the deposit required for securing performance bond following the award of jobs to us
Settlement of finance lease liabilities	–	N/A

For sizable jobs, we are sometimes required by our potential customers to either: (i) provide performance bonds up to 10% of the total contract sums issued by banks in favour of the customers as security for the due performance and observance of our Group's contractual obligations; or (ii) accept higher amount of retention money being withheld (i.e. up to 15% of the total contract sums for projects without personal guarantee). At present the total amount of retention money of our jobs will not exceed 5% of the contract sum in general. The performance bonds are normally released upon completion of the job as specified in the relevant contract.

Alternatively, our potential customers may require our Controlling Shareholders or Directors to provide performance guarantee in favour of them as security. In order to avoid reliance on our Controlling shareholders and/or Directors, we generally did not, and does not intend to, compete for jobs which require performance guarantees to be given. During the Track Record Period and up to the Latest Practicable Date, our Group has entered into one contract with customer which involved performance guarantee given by Mr. Cheung personally. For details, please refer to the section headed "Relationship with our Controlling Shareholders – Independence of our Group" in this document.

In the past, our Group generally would not compete for such jobs that impose the aforesaid requirements of performance bonds or additional retention money, as they were likely to have an adverse impact on our liquidity and cash flow positions in view of the size of the contract sum. Therefore, we did not have any performance bond issued during the Track Record Period and up to the Latest Practicable Date.

In light of the anticipated growth in our business, it is likely that our Group would encounter more jobs (in particular sizable jobs) that would require us to provide performance bonds as mentioned above. Going forward, in order to maintain our competitiveness and exposure to different jobs in the industry, our Group intends to consider and compete for jobs with the aforesaid requirements, where appropriate.

If given the options by our customers, it would be in the interest of our Group to opt for performance bonds, considering that the deposit required for securing performance bond would generally be smaller in sum than the extra retention money withheld by the customers, and hence the overall impact on our cash flow would be lesser.

The estimated savings in transportation costs compares to the depreciation charges and maintenance costs of each crane lorry to be acquired is approximately HK$0.6 million annually.

BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material change in the funding requirement for each of our Group's future plans described in this document from the amount as estimated by our Directors;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out under the section headed "Risk factors" in this document.

REASONS FOR THE [REDACTED]

There is no official ranking system in the concrete demolition industry in Hong Kong and Macau and our ability to secure new jobs depends heavily upon our corporate image and reputation as we obtain our business by way of making quotations and/or submitting tenders. As such, our Directors believe that the [REDACTED] will enhance our Group's corporate image and reputation as well as reinforce our position in the market. The [REDACTED] will also serve as an indicator for our potential customers in selecting concrete demolition service providers, further strengthen our position as being one of the established concrete demolition service providers in Hong Kong and Macau, as well as enable us to implement our business plans as set out in this section.

FUTURE PLANS AND USE OF PROCEEDS

Mainly due to overlapping in the work progress of various major jobs and the difficulties in allocating our internal resources among these jobs simultaneously due to the limited capacity of the existing machineries, during the Track Record Period our Group had turned down a total of 292 invitations to tender and requests for quotation by customers, and did not submit any tender or requests at all in response ("**Turned Down Jobs**"). The Company had 143 Turned Down Jobs in total in 2011, 2012 and 2013*(Note)*.

In considering the submission of the tenders or quotations, our Group has taken into account, among others, (i) the degree of limitation in our service capacity in performing additional jobs concurrently with our existing jobs in view of our own human resources and machineries then available, (ii) the additional costs to be incurred mainly for outsourcing major parts of the works to subcontractors, engaging third party suppliers to provide transportation services and renting machineries, as compared with performing the works with our own internal resources, and (iii) the level of our interest in the relevant jobs in terms of expected profitability and work nature.

Our Directors noted the possibility of performing the Turned Down Jobs by outsourcing major parts of the works to subcontractors, but nevertheless decided that it was not a viable option in view of the potential adverse impact to our overall work quality.

In general, once we are awarded with a job, we will form a project management team which is normally headed by our project manager and comprises at least a general foreman and a safety supervisor staffed by our own employees. Our project management staff play a crucial role in job performance, given that they are responsible for supervising the works of our subcontractors and coordinating with other working parties at the job sites. Therefore, we put priority on ensuring the project management team is equipped with sufficient manpower and resources to closely monitor our jobs.

Based on our then available human resources, if we had competed for the Turned Down Jobs, this would mean that the work capacity of our project management staff would be stretched to the limit. As a result, there were risks that it would significantly reduce the time and attention of our project management staff for each job, and they might fail to properly supervise and manage the works undertaken by us and our subcontractors. Further, during the Track Record Period, we lacked the resources required for implementing the expansion plan in relation to our manpower and machineries. Please refer to the paragraph headed "Business – Business strategies" in this document for further discussion. Therefore, after internal discussions and thorough considerations, our management decided that it was in our long-term interest to refrain from competing for the Turned Down Jobs during the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, our Group did not turn down any job which have been awarded to us. It is because prior to submission of any tender or quotation, our Directors would consider those factors listed out in the

Note: In compiling these figures, we have only included the number of formal invitations or requests received by us in writing, without taken into account any enquiries or requests verbally made by customers. It is mainly because generally the information provided verbally to us in such circumstances is preliminary in nature, and, as confirmed by our Directors, it is normal industry practice that contractors would seek quotation or tender from their subcontractors in writing, but not solely by verbal communication.

preceding paragraph in assessing our ability to complete the jobs that we are competing for. If our Directors believed that our Group was unlikely to complete the jobs within the expected schedule, or within the estimated budget so as to reach the expected profitability, we would refrain from submitting any tender of quotation, and choose not to respond to the request or invitation at all. Our Directors confirm that this approach is in line with the industry norm, given that: (i) it would be detrimental to our industry reputation and perceived reliability if we decline jobs that have been awarded to us, which in turn may lead to a decrease in the number of future invitation or request we may receive from main contractors; and (ii) the tender or quotation submitted by us, if accepted by the customers, may constitute binding obligations on our part in performing the relevant jobs, and subsequent refusal to undertaking such jobs may give rise to potential claims or legal proceedings against us by customers.

In view of the aforesaid, our Directors believe that, with the expansion in our capacity, including but not limited to acquiring machineries and strengthening our manpower, by applying the net proceeds from the [REDACTED], our Group will be able to respond to more invitations to tender and requests for quotation, as well as to submit tenders or requests at more competitive price based on the sufficiency of our internal resources. This will improve our tender success rate and place us in a better position to cater for the anticipated growth in the demand for our concrete demolition services.

Furthermore, the [REDACTED] and the [REDACTED] will provide us with access to capital market for future corporate finance exercises to assist in our future business development and further strengthen and enhance our competitiveness. In addition, the [REDACTED] will expand and diversify our Shareholders base as it will allow institutional and professional investors in Hong Kong to easily invest in the equity of our Company, thereby establishing a solid institutional and professional shareholders base to the benefit of our Company and Shareholders as a whole. On operational level, our Directors consider that the [REDACTED] will enhance our recruitment strategy to attract more talented staff.

In addition to the above reasons, our Directors decide to proceed with equity financing in the form of [REDACTED] for the purpose of our business expansion instead of debt financing, considering that:

(i) our Directors consider that it is not feasible to arrange finance leases for each type of machineries we currently plan to acquire after [REDACTED]. Based on our Directors' knowledge and experience, banks and other financial institutions generally offer finance lease facilities in respect of motor vehicles and only limited types of machineries. For machineries such as forklift, loader and remote controlled robot, our Directors believe that we will not be able to obtain finance lease liabilities on commercially acceptable terms, or at all, and hence equity financing is required and necessary to finance the implementation plan of enhancing our machineries. During the Track Record Period, we have acquired machineries and equipment for our operation mainly by way of full payment in cash with our own internal resources. Our Directors consider that the lack of availability in finance leases for certain machineries and equipment have hindered the expansion in our service capacity, and hence limited our business growth;

(ii) banks and other financial institutions generally require borrowers to provide assets as securities for long-term loans. As at 30 June 2016, the carrying amount of our property, plant and equipment was approximately HK$8.7 million. In view of the amount of assets available for use as securities for loans, our Directors believe that we will not be able to carry out business expansion solely by debt financing since our available assets may not be sufficient to secure the long-term loans required for fully financing our future plans and/or the repayment terms of such loans (including but not limited to covenant obligations and interest rate level) may not be commercially acceptable to us. While our Group may use our trade and other receivables as securities for obtaining financing from bank, based on our enquiries with the bank, the financing available are generally short-term loans which would not be feasible to sustain our business expansion plan for the period up to 30 June 2018;

(iii) The regular financial reporting requirement under GEM Listing Rules can enable the bank to evaluate and monitor our Group's financial position more effectively and therefore is expected to smoothen the approval process for any future additional bank borrowings. The better accessibility to banking facilities allow us more flexibility in management of the cashflow of our business that can be affected by factors including those set out in the section headed "Risk factors" in this document;

(iv) if we raise additional funds by incurring debt financing, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected;

(v) during the Track Record Period, our Group has been financing its acquisition of machineries through finance leases. Our Directors are of the view that such form of debt financing has incurred interest expenses and increased gearing ratio of our Group. As such, going forward we intend to reduce our interest expenses and gearing ratio through equity financing, in order to improve our financial performance; and

(vi) given the uncertain interest rate movement going forward (which may expose our Group to increasing borrowing costs in the future via debt financing), our Directors believe that our financial performance and liquidity may be negatively affected due to its principal and interest payments, if we proceed with debt financing to fund our business expansion.

As mentioned above, during the Track Record Period, our Group has acquired machineries and equipment for our operation mainly by way of full payment in cash with our own internal resources. However, our Directors consider that it would not be feasible to finance our planned acquisition of additional machineries solely with our internal resources (not including the expected net proceeds from the [REDACTED]). This is mainly because we would only be able to fully utilise the newly acquired machineries for enhancing our service capacity if they are accommodated by an associated expansion in our manpower and storage space as well. Therefore, our Directors consider that our present plans to (a) further enhancing our machineries, (b) further strengthening our manpower and (c) leasing an additional warehouse are mutually complementary, and represent an integral initiative to enhance our capacity to handle multiple jobs simultaneously. Our Directors estimated that the implementation of our entire expansion plan would require a lump sum of approximately HK$15.6 million and may not be fully financed by our internal resources (not including the expected net proceeds from the [REDACTED]) without creating materially adverse impacts on our financial position and liquidity.

Considering the competitive landscope and business prospect of the concrete demolition industry in Hong Kong and Macau, our Group has contemplated its need for further business expansion prior to the commencement of preparation for the [REDACTED] back in late 2014. As at 31 December 2014, our Group's current ratio was approximately 1.6 times. Based on public information available, our Directors considered that our then current ratio was in line with other comparable private company in the concrete demolition industry. However, in view of the needs for maintaining sufficient operating cashflow, our Directors believed that there was limited room for further expansion without external financing. In view of the reasons as explained in the preceding paragraph regarding (a) the difficulties of arranging finance leases for the machineries we intended to acquire, and (b) the difficulties of providing sufficient securities for long-term loans required for fully financing our expansion plan, our Directors then decided that equity financing would be the preferred way in obtaining external financing for our expansion.

In light of the aforesaid, our Directors have formulated our business expansion plan and hence decided to commence and continue with the preparation for the [REDACTED], based on the unique needs of our Group, in particular:

- the growing number of Turned Down Jobs for the period from 2011 to 2013 and the Track Record Period;
- the need for an overall increase in our service capacity to handle multiple jobs simultaneously through an integral expansion in our machineries, manpower and storage place;
- the general perceived benefits associated with a [REDACTED] status of company in respect of further financing in the future and industry reputation;
- the advantages and feasibility of obtaining funds for our expansion plan through equity financing over debt financing; and
- the possible adverse impacts on our Group from financing our expansion solely with internal resources available.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

Our Directors estimate that the net proceeds from the [REDACTED] (after deducting estimated expenses payable by our Group in connection with the [REDACTED]) will be approximately HK$[REDACTED] million based on a [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range between HK$[REDACTED] and HK$[REDACTED] per [REDACTED]). It is at present intended that the net proceeds will be applied as follows:

- approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for further enhancing our machineries and thus a higher business capacity. We plan to acquire two sets of 14-ton forklift, one set of 85-litre loader*(Note 1)*, one set of 22-kW remote controlled robot, and two crane lorries, etc. Following the completion of these acquisitions, we expect that our fleet of machineries will include, among others, three sets of forklift of 10-ton or 14-ton, two sets of 85-litre loaders, two sets of 22-kW remote controlled robots and three crane lorries.*(Note 2)* Please refer to the section headed "Business – Business Strategies" for details about the proposed usage of such machineries we plan to acquire;

- approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for further strengthening our manpower to cope with business expansion. New staff will be hired as project manager, engineer, safety officer, site agent, mechanic and office staff;

- approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for leasing an additional warehouse;

- approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, as reserve of capital to satisfy our potential customers' requirement for performance bond;

- approximately HK$[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for settlement of finance lease liabilities carrying interest at flat rate 3.5% per annum that will mature within five years. Such finance lease liabilities were incurred to finance our motor vehicles*(Note 3)*; and

- the balance of approximately HK[REDACTED] million, representing approximately [REDACTED]% of the estimated net proceeds, for working capital of our Group.

Notes:

1. As at 30 June 2016, the Company has one set of 10-ton forklift, one set of 85-litre loader, one set of 22-kW remote controlled robot, and one crane lorry.

2. These expected figures are compiled with reference to (i) the number of machines we intended to acquire under our implementation plan, and (ii) the number of relevant machineries we owned as at the Latest Practicable Date, without taking into account of any other machineries we may acquire from time to time based on our business needs from the Latest Practicable Date up to the completion of the implementation plan.

3. Our Directors believe that one-off repayment of the finance leases is in the interests of our Group for the following reasons:

   i. one-off repayment of the finance leases would relieve us from monthly repayment of finance leases and the interest expenses incurred thereon. It would in turn increase our operating cashflow for further expansion and allow us to apply the fund in a more effective manner based on our prevailing business needs. Currently, we intend to apply the amount saved from monthly repayment of finance leases and interests expenses thereon for the other purposes set out in the paragraph on a pro-rata basis;

   ii. since our Group intends to carry out our implementation plan by stages from [REDACTED] up to around mid-2018, there will be certain unutilised proceeds from [REDACTED] at the early stages of our implementation plan. Our Directors are of the view that it would not be in the interest of the Company and its Shareholders to leave the unutilised proceeds idle as short-term deposits, yielding very low bank deposit interest rate return while keeping the finance leases outstanding and bearing the interest rate of 3.5% per annum (flat rate); and

   iii. our Controlling Shareholders had given personal guarantees in relation to these finance leases which shall be repaid by the net proceeds of the [REDACTED] within the first six months after [REDACTED]. For further details, please refer to "Relationship with our Controlling Shareholders – Financial independence" in this document. Our Directors consider that repayment of these finance leases would reduce the perceived reliance of our Group on our Controlling Shareholders.

The present intended use of net proceeds under different [REDACTED] is summarised as follows:

	From the Latest Practicable Date to 31 December 2016	For the period from 1 January 2017 to 30 June 2017	For the period from 1 July 2017 to 31 December 2017	For the period from 1 January 2018 to 30 June 2018	Total	% of net proceeds
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	
Further enhancing our machineries	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening our manpower	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Leasing an additional warehouse	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Reserving more capital to satisfy our potential customers' requirement for performance bond	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Settlement of finance lease liabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

If the [REDACTED] is set at the high-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will increase by approximately HK$[REDACTED] million to approximately HK$[REDACTED] million. In such case, the Company intends to apply the additional net proceeds for the above purposes on a pro-rata basis.

If the [REDACTED] is set at the low-end of the indicative [REDACTED] range, being HK$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will decrease by approximately HK$[REDACTED] million to approximately HK$[REDACTED] million. In such case, the Company intends to reduce the allocation of such net proceeds for the above purposes on a pro-rata basis.

	Approximate amount of net proceeds		
Use of proceeds	**[REDACTED] of HK$[REDACTED] per [REDACTED]**	**[REDACTED] of HK$[REDACTED] per [REDACTED]**	**[REDACTED] of HK$[REDACTED] per [REDACTED]**
	HK$'million	*HK$'million*	*HK$'million*
Further enhancing our machineries	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening our manpower	[REDACTED]	[REDACTED]	[REDACTED]
Leasing an additional warehouse	[REDACTED]	[REDACTED]	[REDACTED]
Reserving more capital to satisfy our potential customers' requirement for performance bond	[REDACTED]	[REDACTED]	[REDACTED]
Settlement of finance lease liabilities	[REDACTED]	[REDACTED]	[REDACTED]
Working capital	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]

Our Directors consider that the net proceeds to be received by us from the [REDACTED] of about HK$[REDACTED] million, together with our Group's internal resources and cash flows from operation will be sufficient to finance the business plans of our Group as scheduled up to 30 June 2018.

To the extent that the net proceeds to be received by us from the [REDACTED] are not immediately required for the above purposes, it is the present intention of our Directors that such proceeds will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.