
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

The section headed "Business — Business strategies" in this [REDACTED] sets out a detailed description of the Group's future plans.

USE OF PROCEEDS

The Group estimates that the aggregate net proceeds to the Company from the [REDACTED], after deducting related underwriting fees and estimated expenses in connection with the [REDACTED] and an [REDACTED] of HK\$[REDACTED], being the mid-point of the [REDACTED] range, will be approximately HK\$[REDACTED]. The Directors presently intend to apply such net proceeds as follows:

- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group's capacity to undertake more design and build projects, in particular, the potential sizeable project expected to be awarded, and financing the net cash outflows required in the early stage of the new projects, including the upfront payments to the material suppliers and subcontractors;
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group's manpower by recruiting 20 additional full-time staff, including additional 4 experienced and skilled project management staff; 5 supporting staff for design and build projects; 3 experienced supporting staff for maintenance works, and 5 designers and 3 relevant supporting staff for the Shenzhen design office and strengthening the skills of staff by providing internal training and courses organised by external parties;
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further strengthening the Group's capital base and liquidity position to satisfy the surety bonds requirements for projects that may potentially be awarded to the Group;
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further enhancing the Group's operational efficiency and technical capability by acquiring additional machinery and equipment, such as spider crane, vacuum lifter glazing robot and material handling machines, to cope with the expected growing demand in the industry; and
- approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds will be used as general working capital of the Group such as for purchasing materials, engaging subcontractors and leasing of equipment.

In the event that the [REDACTED] is fixed at the high-end or the low-end compared to the mid-point of the [REDACTED] range, namely, HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED], the net proceeds of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] and HK\$[REDACTED], respectively, and the above allocation of the net proceeds from the [REDACTED] will be adjusted on a pro-rata basis.

To the extent that the net proceeds of the [REDACTED] are not immediately applied for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with financial institutions in Hong Kong.

The Group will issue an announcement in the event that there is any material change in the use of proceeds of the [REDACTED] as described above.

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REASONS FOR AND BENEFITS OF THE [REDACTED]

The Directors believe that the commercial reasons of the [REDACTED] are as follow:

- The Directors believe that the [REDACTED] is strategically critical to the long term growth of the Group as it will enhance the Group's corporate profile and the net proceeds from the [REDACTED] to be received by the Group will strengthen its financial position which in turn will facilitate the implementation of the Group's business plan as set out in the section headed "Business — Business strategies". Due to the fact that (i) the Group's projects would entail larger amounts of capital as well as more substantive amounts retained for start-up costs which would lead to net cash outflows at the early stage of the projects before the Group receive progress payments from its customers; and (ii) it is a common requirement for contractors to take out surety bonds which usually amounts to approximately 10.0% of the total contract sum, in which the surety bond requirement may result in the lock-up of a portion of the Group's capital during the term of the surety bond and thereby affecting the Group's liquidity, the Directors believe that the capital raised through the [REDACTED] would strengthen the Group's cashflow position which in turn will enable the Group to undertake more sizeable projects, in particular the curtain wall projects, to capture the growth of the podium facade and curtain wall works industry in Hong Kong;
- When considering the submission of the tenders, the Directors have taken into account, amongst others, (i) the nature or type of the design and projects; (ii) the costs budget; (iii) the target completion date; (iv) the Group's projects on hand; (v) the availability of the Group's resources; and (vi) scale of projects. During each of the Track Record Period, the Group had turned down or did not respond to approximately 36, 41 and 14 invitations of design and build projects from customers to tender and it was mainly attributable to the overlapping in the work progress of various major jobs and the difficulties in allocating the Group's financial and human resources amongst these jobs simultaneously. The Directors consider that the number of projects the Group is able to undertake hinges on the availability of the Group's operational and human resources and the available working capital. In view of the foregoing, the Directors believe that, with the expansion in the Group's capacity, including but not limited to strengthening the Group's cash position and manpower, by applying the net proceeds from the [REDACTED], the Group will be able to respond to more invitations or to submit tenders based on the sufficiency of its internal resources. This will also place the Group in a better position to cater for the potential growth in the podium facade and curtain works wall industry in Hong Kong in near future;
- During the Track Record Period, the Group had relied principally on cash generated from operations and bank borrowings to finance its business. The Directors consider that as a group of private companies and/or a subcontractor does not usually have a large amount of fixed assets as collateral, it would be difficult for the Group, without a listing status, to obtain bank borrowings at a competitive rate without guarantee to be provided by the Controlling Shareholders. Taking into account the fact that (i) the Group's cash outflow exposure at the initial stage of each project; and (ii) it is necessary to maintain a disciplined financial strategy without exposing the Group to aggressive gearing in order to achieve

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sustainable growth in the long run, the Directors consider that the net proceeds from the [REDACTED] are necessary for the implementation of the Group's business plans as opposed to debt financing given it is not permanent in nature and the interest expenses would impose additional cash flow burden to the Group;

- During the Track Record Period, the Group obtained most of the customers' contracts through the tender process. The Directors consider that reputation, financial strength and credibility are the major factors that customers will consider when assessing the Group's tender submissions. The Directors believe that a listing status could attract more potential customers who are more willing to establish business relationship with listed companies given the reputation, listing status, public financial disclosure and general regulatory supervision by relevant regulatory bodies associated with being a listed company, in particular for sizeable design and build projects;
- According to the Ipsos Report, the revenue of the podium facade and curtain wall works industry is expected to continue its rising trend from approximately HK\$5,254.1 million in 2016 to approximately HK\$6,265.0 million in 2020, at a CAGR of approximately 4.5%. These business opportunities and drivers include the Government's policies to increase of land supply for public and private residential buildings and conversion of government properties into commercial use which will continue to fuel the growth of the podium facade and curtain wall works industry in the near future. The Directors envisage that there are considerable business opportunities and growth drivers which justify the Group's expansion plan to expand the Group's capacity to compete for more new projects;
- The Directors believe that the [REDACTED] would provide a fund-raising platform for the Company to raise the capital required to fund its further expansion and long-term development needs without reliance on the Controlling Shareholders to do so. Such platform would allow the Company to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansions, which could be instrumental to the Group's expansion and improving its operating and financial performance for maximum Shareholder return; and
- The Directors believe that a public listing status will offer the Company a broader shareholder base which could potentially lead to a more liquid market in the trading of the Shares as compared to the limited liquidity of the Shares that are privately held before the [REDACTED]. Furthermore, the Directors believe that the Group's internal control and corporate governance practices could be further enhanced following the [REDACTED], which will in turn increase the confidence of its customers and suppliers on the Group.