
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:

- (i) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further expanding the Group’s capacity to undertake more design and build projects, of which (a) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds will be earmarked to finance the upfront payments to material suppliers of new projects, in particular, approximately HK\$[REDACTED] will be earmarked for a potential sizeable project with an estimated contract sum of approximately HK\$80.0 million which is expected to be awarded in the second quarter of 2017 (the “**Curtain Wall Project**”) while approximately HK\$[REDACTED] will be earmarked for any new potential projects; and (b) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds will be earmarked to satisfy the surety bonds requirements for any new potential projects;
- (ii) 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 expansion and relocation of new offices in Hong Kong and Shenzhen;
- (iii) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds for further enhancing the Group’s operational efficiency and technical capability by upgrading design and computer software and 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
- (iv) approximately HK\$[REDACTED] or approximately [REDACTED]% of the net proceeds will be used as general working capital of the Group.

THIS DOCUMENT IS IN DRAFT FORM. The information contained in it is in draft form, incomplete and subject to change and must be read in conjunction with the section headed “Warning” on the cover of this document.

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For illustrative purpose, for the period from the Latest Practicable Date to 30 June 2019, the net proceeds from the [REDACTED] (based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range) will be used as follows:

	From the Latest Practicable Date to		Six months ending			Total	Percentage
	30 June	31 December	30 June	31 December	30 June		
	2017	2017	2018	2018	2019		
	HK\$' million	HK\$' million	HK\$' million	HK\$' million	HK\$' million		
Expanding the Group's capacity to undertake more design and build projects							
Expanding the Group's manpower				[REDACTED]			
Enhancing the Group's operational efficiency and technical capability							
General working capital							
Total							

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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IMPLEMENTATION PLANS

The Group’s implementation plans are set forth below for the period from the Latest Practicable Date to 30 June 2019. Based on the Group’s business strategies and future plans, the Directors intend to carry out the following implementation plans:

From the Latest Practicable Date to 30 June 2017

Business strategies	Implementation plan	Use of proceed
Expanding the Group’s capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of the Curtain Wall Project 	Approximately HK\$[REDACTED]
	<ul style="list-style-type: none"> • Earmark for satisfying the surety bond requirement of the Curtain Wall Project 	Approximately HK\$[REDACTED]
Expanding the Group’s manpower	<ul style="list-style-type: none"> • Recruit and pay the staff costs of additional 3 experienced and skilled project management staff, 2 experienced supporting staff for maintenance works, and 2 designers and 3 relevant supporting staff for Shenzhen design office 	Approximately HK\$[REDACTED]

For the six months ending 31 December 2017

Business strategies	Implementation plan	Use of proceed
Expanding the Group’s capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of the Curtain Wall Project 	Approximately HK\$[REDACTED]
Expanding the Group’s manpower	<ul style="list-style-type: none"> • Staff costs for the additional 10 full-time staff recruited 	Approximately HK\$[REDACTED]
	<ul style="list-style-type: none"> • Recruit and pay the staff costs of additional 1 experienced and skilled project management staff, 5 supporting staff for design and build projects; 1 experienced supporting staff for maintenance works, and 3 designers for Shenzhen design office 	
	<ul style="list-style-type: none"> • Rental and expansion costs for a new design office in Shenzhen 	

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Business strategies	Implementation plan	Use of proceed
Enhancing the Group’s operational efficiency and technical capability	<ul style="list-style-type: none"> • Purchase new computers and upgrade various design and computer software to improve operational efficiency • Purchase 1 set of silicone sealant mixer and filling machine, 1 set of mobile scaffolding tower and electric scissor lift and 1 pickup truck 	Approximately HK\$[REDACTED]

For the six months ending 30 June 2018

Business strategies	Implementation plan	Use of proceed
Expanding the Group’s capacity to undertake more design and build projects	<ul style="list-style-type: none"> • Payment for certain upfront material costs of the Curtain Wall Project • Earmark for satisfying the surety bond requirement of potential new projects 	Approximately HK\$[REDACTED] Approximately HK\$[REDACTED]
Expanding the Group’s manpower	<ul style="list-style-type: none"> • Staff costs for the additional 20 full-time staff recruited • Rental and expansion costs for a new office in Hong Kong • Rental costs for Shenzhen design office 	Approximately HK\$[REDACTED]
Enhancing the Group’s operational efficiency and technical capability	<ul style="list-style-type: none"> • Purchase 1 curtain wall loading platform, 1 set of mobile scaffolding tower and electric scissor lift, 1 set of spider crane and certain auxiliary equipment 	Approximately HK\$[REDACTED]

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For the six months ending 31 December 2018

Business strategies	Implementation plan	Use of proceed
Expanding the Group’s capacity to undertake more design and build projects	<ul style="list-style-type: none">• Payment for certain upfront material costs of potential new projects	Approximately HK\$[REDACTED]
Expanding the Group’s manpower	<ul style="list-style-type: none">• Staff costs for the additional 20 full-time staff recruited• Rental costs for Hong Kong office and Shenzhen design office	Approximately HK\$[REDACTED]
Enhancing the Group’s operational efficiency and technical capability	<ul style="list-style-type: none">• Purchase new computers to improve operational efficiency	Approximately HK\$[REDACTED]

For the six months ending 30 June 2019

Business strategies	Implementation plan	Use of proceed
Expanding the Group’s capacity to undertake more design and build projects	<ul style="list-style-type: none">• Payment for certain upfront material costs of potential new projects	Approximately HK\$[REDACTED]
Expanding the Group’s manpower	<ul style="list-style-type: none">• Staff costs for the additional 20 full-time staff recruited• Rental costs for Hong Kong office and Shenzhen design office	Approximately HK\$[REDACTED]
Enhancing the Group’s operational efficiency and technical capability	<ul style="list-style-type: none">• Purchase 1 curtain wall loading platform, 1 set of monorail and winch gear and certain auxiliary equipment	Approximately HK\$[REDACTED]

The aforementioned proceeds of approximately HK\$[REDACTED] for further expanding the Group’s manpower will cover the respective staff costs up to the financial year ended 31 December 2019 for a period of approximately 20 to 22 months.

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

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[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 18 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 [REDACTED] 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 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 [REDACTED] status could attract more

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potential customers who are more willing to establish business relationship with [REDACTED] companies given the reputation, [REDACTED] status, public financial disclosure and general regulatory supervision by relevant regulatory bodies associated with being a [REDACTED] 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 [REDACTED] 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.