

FUTURE PLANS AND USE OF [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

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

USE OF [REDACTED]

For the period from the [REDACTED] to 30 June 2021, our [REDACTED] from the [REDACTED] will be used as follows:

	From the [REDACTED] to 31 December 2018 <i>HK\$'000</i>	From 1 January 2019 to 30 June 2019 <i>HK\$'000</i>	From 1 July 2019 to 31 December 2019 <i>HK\$'000</i>	From 1 January 2020 to 30 June 2020 <i>HK\$'000</i>	From 1 July 2020 to 31 December 2020 <i>HK\$'000</i>	From 1 January 2021 to 30 June 2021 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Expand our production capacity and enhance our production efficiency	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthen our research and development capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] per [REDACTED] to HK\$[REDACTED] per [REDACTED], the [REDACTED] from the [REDACTED] are estimated to be approximately HK\$[REDACTED] million, after deducting the estimated [REDACTED] expenses, paid and payable by our Company from the [REDACTED] of the [REDACTED].

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Our Directors intend to apply such [REDACTED] as follows:

- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED], will be used for expanding our production capacity and enhancing our production efficiency; of which approximately HK\$[REDACTED] million will be allocated for acquisition of additional machinery and equipment to upgrade three SMT assembly lines; approximately HK\$[REDACTED] million will be allocated for acquisition of additional machinery and equipment to set up two additional SMT assembly lines; approximately HK\$[REDACTED] million will be allocated for the acquisition of additional machinery and equipment to set up four automated testing lines; and approximately HK\$[REDACTED] million will be allocated for recruiting four workers to operate the additional automated test lines, in order to increase our production capacity to cope with the simultaneous growth of the electronic product market and to capture the business opportunities to optimise our profitability. The following table sets out the details of the additional machinery and equipment to be acquired to upgrade three existing SMT assembly lines and to set up two additional SMT assembly lines and four automated testing lines:

Additional machinery and equipment	Number of units	Estimated costs (HK\$'000)
<i>(a) For upgrading three existing SMT assembly lines (Note)</i>		
Back to back configurable momentum printer	3	[REDACTED]
Three-dimensional solder paste printing inspection machine (double track)	3	[REDACTED]
AOI Inspector	6	[REDACTED]
Double track reflow oven	3	[REDACTED]
High-speed multi-function modular placing machine (2M III base)	9	[REDACTED]
High-speed multi-function modular placing machine (4M III base)	6	[REDACTED]
Subtotal:		[REDACTED]
<i>(b) For setting up two additional SMT assembly lines</i>		
Back to back configurable momentum printer	2	[REDACTED]
Three-dimensional solder paste printing inspection machine (double track)	2	[REDACTED]
AOI inspector	4	[REDACTED]
Double track reflow oven	2	[REDACTED]
High-speed multi-function modular placing machine (2M III base)	6	[REDACTED]
High-speed multi-function modular placing machine (4M III base)	4	[REDACTED]
Subtotal:		[REDACTED]
<i>(c) For setting up four additional automated testing lines</i>		
ICT (in-circuit test) machine	4	[REDACTED]
		[REDACTED]

Note: As at 30 April 2018, the average age of the three existing SMT assembly lines to be upgraded was approximately 8.7 years.

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- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED], will be used for leasing the New Premises, setting up an additional intelligent warehouse therein, converting our existing warehouse to be intelligent warehouse and recruiting one technical staff to operate and maintain the intelligent warehouse. Of the said sum of approximately HK\$[REDACTED] million, approximately HK\$[REDACTED] million will be allocated to convert our existing warehouse to be intelligent warehouse; HK\$[REDACTED] million will be utilised for the lease of the New Premises and setting up an additional intelligent warehouse therein; and approximately HK\$[REDACTED] million will be allocated to recruit one technical staff to operate and maintain the intelligent warehouse. The following table set out the breakdown of amount of [REDACTED] to be used for such purpose:

	From the [REDACTED] to 31 December 2018 <i>HK\$'000</i>	From 1 January 2019 to 30 June 2019 <i>HK\$'000</i>	From 1 July 2019 to 31 December 2019 <i>HK\$'000</i>	From 1 January 2020 to 30 June 2020 <i>HK\$'000</i>	From 1 July 2020 to 31 December 2020 <i>HK\$'000</i>	From 1 January 2021 to 30 June 2021 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Costs of upgrading our existing warehouse to be an intelligent warehouse							
- Six smart storages for SMT material	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
- 10 automated guided vehicles	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
- Three six-axis robot arms	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rental expense for the New Premises	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Costs of setting up an additional intelligent warehouse in the New Premises							
- Six smart storages for SMT material	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
- 10 automated guided vehicles	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
- Three six-axis robot arms	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Costs for recruiting one technical staff to operate and maintain the intelligent warehouse	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
							<u>[REDACTED]</u>

- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED], will be used for strengthening our research and development capabilities by recruiting an addition of six skilled research technicians.

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The table below sets forth our Group's plan on the six skilled research technicians to be employed:-

Position	Number	Specific qualification and/or requirements to be imposed by our Group	Monthly salary HK\$'000 (approximately)
Skilled research technician	Six	Must have: <ol style="list-style-type: none"> 1. a university degree or diploma in electronic, mechanical or related majors; and 2. at least three years working experience in research and development of electronics and mechanical hardware 	[REDACTED]

- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED], will be used to upgrade our ERP system and capabilities in information technology; of which HK\$[REDACTED] million will be used to upgrade our ERP system; and approximately HK\$[REDACTED] million will be used to recruit one technical staff to operate and maintain the ERP system; and
- approximately HK\$[REDACTED] million, representing approximately [REDACTED]% of the [REDACTED], will be used as general working capital of our Group.

The above allocation of the [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher level or a lower level compared to the midpoint of the indicative [REDACTED] range.

If the final [REDACTED] is set at the highest or lowest point of the indicative [REDACTED] range, the [REDACTED] to be received by us from the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] million, respectively. In such event, the [REDACTED] will be used in the same proportion as disclosed above irrespective of whether the [REDACTED] is determined at the highest or lowest of the indicative [REDACTED] range.

To the extent that the [REDACTED] from the [REDACTED] are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised financial institutions for so long as it is in our best interests.

Should our Directors decide to re-allocate the intended use of [REDACTED] to other business plans and/ or new [REDACTED] of our Group to a material extent and/or there is to be any material modification to the use of [REDACTED] as described above, our Group will issue an announcement in accordance with the Listing Rules.

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IMPLEMENTATION PLANS

In pursuance of the above business objectives, the implementation plans of our Group are set forth below from the [REDACTED] to 31 December 2018 and for each of the six-month periods until 30 June 2021. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to the paragraphs headed "Bases and assumptions" in this section below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk factors" of this document.

The [REDACTED] from the [REDACTED] to our Company (after deduction of [REDACTED] and estimated [REDACTED] payable by us in relation to the [REDACTED]) are estimated to be approximately HK\$[REDACTED] million. It is estimated that the total [REDACTED] expenses of approximately HK\$[REDACTED] million will be incurred. Our Directors presently intend to apply such [REDACTED] as follows:

- (a) From the [REDACTED] to 31 December 2018

Business Strategies	Implementation activities	[REDACTED] HK\$'000
Expand our production capacity and enhance our production efficiency	Acquiring new machinery and equipment for upgrade one SMT assembly line	[REDACTED]
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Upgrading our existing warehouse to be intelligent warehouse	[REDACTED]
	— Recruiting one technical staff to operate and maintain the warehouse	[REDACTED]
Further strengthen our research and development capabilities	Recruiting two skilled research technicians	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	Recruiting two technical staff to operate and maintain the ERP system	[REDACTED]
Working capital	General working capital	[REDACTED] <u>[REDACTED]</u>

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(b) From 1 January 2019 to 30 June 2019

Business Strategies	Implementation activities	[REDACTED] HK\$'000
Expand our production capacity and enhance our production efficiency	— Acquiring new machinery and equipment for	[REDACTED]
	(i) upgrading one SMT assembly line;	[REDACTED]
	(ii) setting up one additional SMT assembly lines; and	[REDACTED]
	(iii) setting up two automated testing lines	[REDACTED]
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Recruiting two additional workers to operate the automated testing lines	[REDACTED]
	— Upgrading our existing warehouse to be intelligent warehouse	[REDACTED]
	— Rental expense for the New Premises	[REDACTED]
	— Setting up an additional intelligent warehouse in the New Premises	[REDACTED]
Further strengthen our research and development capabilities	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of the intelligent warehouse	[REDACTED]
	— Recruiting two skilled research technicians	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	— Staff costs for retaining the aforesaid additional skilled research technicians	[REDACTED]
	— Upgrade our ERP system and capabilities in information technology	[REDACTED]
Working capital	General working capital	[REDACTED]
		[REDACTED]

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(c) From 1 July 2019 to 31 December 2019

Business Strategies	Implementation activities	[REDACTED] HK\$'000
Expand our production capacity and enhance our production efficiency	Acquiring new machinery and equipment for	
	— upgrading one SMT assembly line;	[REDACTED]
	— setting up the second additional SMT assembly line (1st phase) ; and	[REDACTED]
	— setting up two automated testing lines	[REDACTED]
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Staff costs for retaining the aforesaid additional workers for operation of the new automated testing lines	[REDACTED]
	— Upgrading our existing warehouse to be intelligent warehouse	[REDACTED]
	— Rental expense for the New Premises	[REDACTED]
	— Setting up an additional intelligent warehouse in the New Premises	[REDACTED]
Further strengthen our research and development capabilities	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of the intelligent warehouse	[REDACTED]
	Staff costs for retaining the aforesaid additional skilled research technicians	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	— Upgrade our ERP system and capabilities in information technology	[REDACTED]
	— Recruiting one additional technical staff to operate the ERP system	[REDACTED]
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of the ERP system	[REDACTED]
Working capital	General working capital	[REDACTED]
		[REDACTED]

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(d) From 1 January 2020 to 30 June 2020

Business Strategies	Implementation activities	[REDACTED] HK\$'000
Expand our production capacity and enhance our production efficiency	— Acquiring new machinery and equipment for setting up the second additional SMT assembly line (2nd phase)	[REDACTED]
	— Recruiting two additional workers to operate the automated testing lines	[REDACTED]
	— Staff costs for retaining the aforesaid additional workers to operate the automated testing lines	[REDACTED]
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Rental expense for the New Premises	[REDACTED]
	— Staff costs for retaining the aforesaid staff for operation and maintenance of the intelligent warehouse	[REDACTED]
Further strengthen our research and development capabilities	— Recruiting two skilled research technicians	[REDACTED]
	— Staff costs for retaining the aforesaid additional skilled research technicians	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	— Upgrade our ERP system and capabilities in information technology	[REDACTED]
	— Staff costs for retaining the additional staff for operation and maintenance of the ERP system	[REDACTED]
Working capital	General working capital	[REDACTED] <u>[REDACTED]</u>

FUTURE PLANS AND USE OF [REDACTED]

(e) From 1 July 2020 to 31 December 2020

Business Strategies	Implementation activities	[REDACTED] HK\$'000
Expand our production capacity and enhance our production efficiency	— Staff costs for retaining the additional workers to operate the additional automated testing lines	[REDACTED]
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Rental expense for the New Premises	[REDACTED]
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of intelligent warehouse	[REDACTED]
Further strengthen our research and development capabilities	— Staff costs for retaining the aforesaid additional skilled research technicians	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	— Staff costs for retaining the additional staff for operation and maintenance of the ERP system	[REDACTED]
Working capital	General working capital	[REDACTED] <u>[REDACTED]</u>

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(f) From 1 January 2021 to 30 June 2021

Business Strategies	Implementation activities	[REDACTED] HK\$'000
Expand our production capacity and enhance our production efficiency	— Staff costs for retaining the additional workers to operate the additional automated testing lines	[REDACTED]
Lease the New Premises to align with our production capacity expansion and upgrade our existing warehouse to be intelligent warehouse	— Rental expense for the New Premises	[REDACTED]
	— Staff costs for retaining the aforesaid additional staff for operation and maintenance of intelligent warehouse	[REDACTED]
Further strengthen our research and development capabilities	— Staff costs for retaining the aforesaid additional skilled research technicians	[REDACTED]
Upgrade our ERP system and enhance our capabilities in information technology	— Staff costs for retaining the additional staff for operation and maintenance of the ERP system	[REDACTED]
Working capital	General working capital	[REDACTED] <u>[REDACTED]</u>

BASES AND ASSUMPTIONS

Our Directors have adopted the following principal assumptions in the preparation of the implementation plan up to 30 June 2021:

- (a) 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.
- (b) 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.
- (c) 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.

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- (d) 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.
- (e) The [REDACTED] will be completed in accordance with and as described in the section headed "Structure and conditions of the [REDACTED]" to this document.
- (f) There will be no change in the effectiveness of the licenses, permits and qualifications obtained by our Group.
- (g) There will be no material changes in the bases or rates of taxation applicable to the activities of our Group.
- (h) Our Group will be able to retain our customers and suppliers.
- (i) Our Group will be able to retain key staff in the management and main operational departments.
- (j) There will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group.
- (k) 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]

Our Directors believe the [REDACTED] will enhance our Group's profile and the [REDACTED] from the [REDACTED] will strengthen our financial position and will enable our Group to implement our business strategies set out in the sections headed "Business — Business Strategies" in this document and to capture the anticipated growth of the EMS industry in the PRC. The reasons of the [REDACTED] are set out herein below:

(A) Facilitate the implementation of our business strategies

Our Directors believe that there will be a steady growth of the electronic product industry and the EMS market in the PRC. According to the Frost & Sullivan Report, the PRC has overtaken the United States as the world's largest electronic product market in terms of sales value since 2015. The sale value of electronic product market in the PRC has grown from US\$394.0 billion in 2013 to US\$457.3 billion in 2017 with a CAGR of 3.8%. It is forecast that the sales value of electronics product market in the PRC will reach US\$558.7 billion in 2022 with a CAGR of 4.1% from 2017 to 2022 and the PRC will account for 25.5% of the entire global market in terms of sales value. Furthermore, with the booming domestic demand for electronic products, advances in manufacturing technology and the offering of more value-add services, the market size of EMS industry in the PRC will continue to grow at a CAGR of 7.5% during 2017 to 2022 and reach RMB1,936.8 billion in 2022. In view of the overall industry growth and in order to capture the market opportunities in the PRC, we have formulated business strategies to develop our Group's sales channels for our PCBAs to customers (mainly manufacturers of electronic products for the financial and banking industry, telecommunication products and smart devices) in the PRC. Our Directors recognise the need for further capital to expand our business in order to maintain our position in the competitive EMS market in the PRC and capture more market share.

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As such, our Directors believe that the [REDACTED] will allow us to capture more market share in the industry albeit intense competition within the industry by effective implementation of our business strategies.

(i) Expanding our production capacity by expanding our Shenzhen Production Plant

The utilisation rate of our SMT assembly lines in our Shenzhen Production Plant reached approximately 92.6% as at 30 April 2018. It is imperative for us to expand the production capacity of our Shenzhen Production Plant in order to align with our business growth and capture the business opportunities arising from the growth of the EMS market and the electronic product industry in the PRC.

We have earmarked a sum of approximately HK\$[REDACTED] million from the [REDACTED] of the [REDACTED] for upgrading and acquiring new machinery and equipment in phases for upgrading three existing SMT lines setting up two additional SMT assembly lines and four automated testing lines and for recruiting four skilled workers to operate the four additional automated testing lines. When the new machinery and equipment operate in full swing, the production capacity of our SMT production lines will increase by approximately 7,665 hours by the end of 2019 and 13,440 hours by the end of 2020 (inclusive of the projected increase of approximately 7,665 hours in 2019).

Based on our gross profit ratio of approximately 16.3% for the year ended 31 December 2017 and the expected growth in the electronic product industry in the PRC, we are confident that we can fully cover the aforesaid additional cost to be incurred.

(ii) Lease the New Premises to align with our production capacity expansion and set up intelligent warehouses

During the Track Record Period, our Group recorded:

- (i) an increase in total purchase of raw materials from RMB94.2 million for the year ended 31 December 2015 to approximately RMB249.6 million for the year ended 31 December 2017 while our purchase of raw materials increased to approximately RMB166.8 million for the four months ended 30 April 2018 as compared to approximately RMB119.5 million for the four months ended 30 April 2017;
- (ii) an increase in amount of inventory from RMB22.1 million as at 31 December 2015 to RMB70.3 million as at 30 April 2018; and
- (iii) an increase in amount of average inventory turnover from 28.5 days for the year ended 31 December 2015 to 39.8 day as at 30 April 2018,

and the above increasing trends reveal our Group's need for further space for production and warehousing. Our Shenzhen Production Plant had been running nearly at full capacity and we plan to lease the New Premises, being the premises of approximately 6,700 sq.m. near our Shenzhen Production Plant. On the other hand, the rental per sq.m. of our Shenzhen Production Plant (at which our current warehouse is located) increased from RMB 8.0 for the period from 1 April 2013 to 31 March 2017 to RMB10.0 as at the Latest

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Practicable Date. In view of our need for more space to prepare for our expansion in operation and the significant increase in the rental of our Shenzhen Production Plant, our Directors believe that it is imperative for us to lease the New Premises and it would be more cost-effective to introduce an intelligent warehouse system by applying RFID technology to our Shenzhen Production Plant to enhance our inventory management.

By employing RFID technology, the intelligent warehouse management portal enables real time tracking of information in relation to our inventory logistics in each production process. The RFID electronic label, with the warehouse reader/writer retrieving the pallet label information, provides our staff with automatically updated inventory, order and status information and helps us to meet delivery dates reliably and shorten throughput times.

Furthermore, the intelligent warehouse will be equipped with highly automated machinery such as automated guided vehicles and six-axis robot arms to enable efficient stacking and flowing of inventory, which can help reduce our inventory level, avoid building up of obsolete stock and reduce our demand of warehouse labour.

According to the suppliers of the intelligent warehouse system, they would require around 60 working days to set up an intelligent warehouse. As the conversion of our current warehouse to intelligent warehouse and the setting up of an additional intelligent warehouse in the New Premises will be carried out consecutively, and will be commenced in the second half of 2018 and first half of 2019 respectively, our Directors believe that there will not be any material disruption to our production process.

(iii) Recruitment of technical staff to strengthen our research and development capabilities

To align with our plan to set up and manage the intelligent warehouses, we need to recruit additional technical staff. The table below sets forth our Group's plan on the one technical staff to be employed:

Position	Number	Specific qualification and/or requirements to be imposed by our Group	Monthly salary HK\$'000 (approximately)
Technical staff	one	Must have: <ol style="list-style-type: none"> 1. a university degree or diploma in automation, mechanical and electrical integration, computer and other related majors; and 2. at least three years working experience in automated equipment production management, enterprise network management and server management. 	[REDACTED]

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(iv) Upgrade our ERP system and enhance our capabilities in information technology

An advanced ERP system enables us to collect, store, manage and interpret data from our business activities. It can also track our business resources, including cash, raw materials, production capacity and the status of business commitment such as our sales orders, purchase orders and payroll in a timely manner. These functions of the upgraded ERP system are particularly useful for us to plan and iron out our expansion plan. For details, please see the paragraph head "Business — Upgrade our ERP system and enhance our capabilities in information technology" in this document.

(B) Need for equity financing

Our Group's significant cash outflow exposure: Although our business generated net operating cash inflow, it does not necessarily mean that our Group has no imminent needs to raise funds in order to implement our business strategies. Taking into account the fact that (i) our Group only had cash and cash equivalents of approximately RMB27.7 million as at 30 June 2018; (ii) our trade payables were approximately RMB164.5 million as at 30 June 2018; (iii) the amount of bank borrowings repayable within one year as at 30 June 2018 was approximately RMB12.7 million; and (iv) our Group's significant cash outflow exposure including the mismatch in the time between receipt of payments from our customers and payments to our suppliers, external logistics companies and staff costs, our Directors believe our Group may not have sufficient internal generated funds to finance our expansion plan while at the same time maintaining sufficient working capital for our Group's operation.

Being a private company, our financial resources rely largely on the financial strength of our Controlling Shareholders and bank facilities, which substantially restrict our Group's development and expansion plan. Our Directors therefore consider it beneficial for us to strengthen our capital base through raising funds under the [REDACTED] so that we would be able to tender for more projects with larger contract sums and in turn expand the scale of our business after the [REDACTED].

(C) Commercial rationale for [REDACTED]

i. Strengthening our Group's corporate profile, credibility and competitiveness

Our Directors believe that a [REDACTED] status will enhance our credibility with suppliers and customers, and thus enhance our level of competitiveness in securing customers' contracts. The increased level of information transparency after the [REDACTED] will also give our existing and prospective customers and suppliers the public access to our Group's corporate and financial information, which could generate further confidence in our Group among them. The status of being a [REDACTED] company on Main Board of the Stock Exchange in Hong Kong will also raise our Group's reputation amongst our competitors, which will help implement our business strategies and expand our customer base and market share within the industry. With such status, our Group can be differentiated from other competitors during the contracting process and we can enhance our ability to attract and engage sizeable customers with sizeable operations.

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ii. The [REDACTED] status provides an equity fund-raising platform for our Group

Although our Group was able to successfully expand our business using internally generated funds and bank borrowings during the Track Record Period and has been able to repay bank loans as they fell due in the past, our Group still plans to seek equity fund raising instead of continuing to use the historical capital structure to fund our future growth as the latter will place undue financial burden on our Group in terms of cash flow if we are to apply all our internal capital resources or bank loans for growth purpose. Our Directors anticipated that additional bank borrowings to our Group would be needed for our expansion. The [REDACTED], which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness. Subsequent to the [REDACTED], we will also have access to secondary market fund raising for our future expansion plans through the issuance of equity and/or debt securities.

By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers for manufacturing materials, and with other business partners, if any. Our Group will be able to maintain a lower level of gearing ratio.

iii. Diversification of shareholder base and enhance liquidity in trading of Shares

Our Directors take the view that the [REDACTED] will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of shares that are privately held before the [REDACTED]. Hence, our Directors consider that the [REDACTED] will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of the Shares.

Although the amount of expenses for the [REDACTED] represents a significant proportion of the [REDACTED] from the [REDACTED], such expenses are non-recurring by nature for which we would not have to pay following the completion of the [REDACTED].