For details of our business strategies, please refer to the section headed "Business – Business strategies and future plans" in this document.

REASONS FOR THE [REDACTED]

According to the Ipsos Report, the total gross output value of the fitting-out industry is forecasted to increase from approximately HK$31.3 billion to approximately HK$39.2 billion at a CAGR of 5.8% from 2018 to 2022 due to the expected growth in both residential and commercial fitting-out industry. In particular the gross output value generated from residential fitting-out works is forecasted to increase from approximately HK$10.1 billion in 2018 to approximately HK$12.6 billion in 2022 at a CAGR of 5.7%. Further, the demand and supply for micro residential units have been increasing in recent years due to its slightly more affordable price in a smaller size as compared to the high end large property units. This trend creates more residential units under the same developed gross floor area, which leads to an increase in the demand of fitting-out services, according to the Ipsos Report. During the Track Record Period, provision of fitting-services for residential properties constituted 93.3%, 98.8% and 94.7% of our total revenue for FY2015/16, FY2016/17 and FY2017/18, respectively. Driven by the anticipated increase in demand for fitting-out services and growth in the fitting-out industry, our Directors expect that our business will expand steadily going forward.

Taking advantage of the forecasted growth in the fitting-out industry, we aim to further strengthen our market position in the fitting-out industry in Hong Kong through (i) expanding our market share through undertaking more sizeable fitting-out projects; (ii) continuing to emphasise and maintain high standards of project planning, management and implementation; and (iii) adhering to prudent financial management to ensure sustainable growth and capital sufficiency. In particular, we intend to apply the net **[REDACTED]** from the **[REDACTED]** in strengthening our financial position and expanding our work force. For details, please refer to the paragraph headed "Use of **[REDACTED]**" in this section.

Our Directors believe that the **[REDACTED]** of our Shares on the Stock Exchange will facilitate the implementation of our strategies and will further strengthen our market position and market share in the fitting-out industry in Hong Kong for the reasons below.

Enhance our corporate profile, brand awareness and competitiveness among business stakeholders

Our Directors believe that the **[REDACTED]** will enhance our corporate profile and brand awareness among business stakeholders such as customers, contractors, project owners and government authorities. We believe that the **[REDACTED]** will strengthen our internal control and corporate governance practices, which in turn would bolster our customers' and suppliers' confidence in us and attract potential new customers, as well as quality suppliers and subcontractors.

Our Directors consider that the **[REDACTED]** enhances our competitiveness among competitors. Some of our major competitors in the fitting-out industry in Hong Kong are listed on the Stock Exchange. Customers would tend to give preference to contractors who have a public **[REDACTED]** status with good reputation, transparent financial disclosures and regulatory supervision. In particular, the respective holding companies of some of our major customers are listed companies and are among the top 10 property developers in Hong Kong based on their revenue derived from property development in 2017 according to the Ipsos Report. They may prefer to engage listed fitting-out contractors. Our Directors believe that we will be able to maintain our competitiveness among the market leaders and differentiate ourselves from other competitors which are private companies during the tendering process, thus enhancing our success rate in securing sizeable projects.

Enhance work morale to nurture an integrated workforce

To effectively implement our business strategies, our Directors believe that a **[REDACTED]** status allows us to retain our existing staff more effectively, at both operational and administrative level. We believe that our staff will feel more stable and secured about their employment with us as compared to a non-listing group, hence strengthening their morale at work. In turn, an integrated workforce will improve the quality of our services and optimise our day-to-day operations to the benefit of our long-term development.

We have a genuine funding need in order to expand our business

As at 31 March 2016, 2017, 2018 and 30 April 2018, our cash and bank balances were approximately HK$11.7 million, HK$30.2 million, HK$26.8 million and HK$27.7 million, respectively. Our Directors consider that our available cash during the Track Record Period was just sufficient for maintaining our business operations. The total estimated contract sum of our backlog were approximately HK$819.1 million, HK$1,146.0 million and HK$1,112.3 million as at 31 March, 2016, 2017 and 2018, respectively. Our cash and bank balances as at the dates indicated only accounted for less than 3% of our total estimated contract sum of our fitting-out projects in our backlog as at the same date. For details of our fitting-out projects in our backlog, please refer to the section headed "Business – Our projects undertaken during the Track Record Period-Backlog" in this document.

Using contractors who undertake projects in the public sector as a comparison, contractors are required to meet certain financial criteria applicable to their appropriate category and group for admission and retention on the lists of approved contractors for public works maintained by the DEVB and for the award of public works contracts. For example, in order to carry out certain public works, a public works contractor may be required to maintain a minimum working capital of either (i) HK$8.6 million if there are no outstanding contracts or (ii) the higher of HK$8.6 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors. A tender will not be considered unless the public works contractor has met such working capital requirements.

Furthermore, our financial standing is one of the major considerations for our customers during the tender/quotation assessment process. According to the Ipsos Report, a large amount of upfront cost payment is often involved in fitting-out projects, which require substantial working capital and healthy cash flow. Hence, new entrants who do not have an adequate amount of capital may face consequences of delayed project executions and ultimately, lose their reputation. Our Directors consider that customers generally assess whether a contractor has sufficient financial resources to undertake a fitting-out project and whether our financial resources are sufficient to manage new projects and other projects on hand. Taking into consideration certain working capital requirements for projects in the public sector as a reference, our Directors consider that we should have a comparable, if not more, working capital level for our business operations in order to sustain our business in the private sector.

In fact, as our business continue to grow during the Track Record Period, we have become increasingly more reliant on our bank borrowings, which for the reasons set out in the paragraph headed "Ease of raising funds in the capital market for future business development" in this section below, is not a desirable way of further supporting our business operations as compared to equity financing. As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 April 2018, our bank borrowings were approximately HK$15.2 million, HK$30.4 million, HK$33.6 million and HK$35.9 million, respectively. Our bank borrowings increased steadily as we had to rely more on debt financing for our business operations. As at 30 April 2018, we had only approximately HK$7.0 million of unutilised banking facilities. As at the Latest Practicable Date, we had been awarded a contract at an original contract sum of approximately HK$15.8 million under which we would be required to obtain a performance bond from a bank in order to secure our due and timely performance. The amount of performance bond to be obtained amounted to 10% of the original contract sum and is expected to be obtained in or around August 2018 which will be financed by further drawdown of banking facilities. While our Directors consider that our current cash and bank balances may still be able to support our existing operations, they cannot provide any funding buffer for us to weather any material and unexpected adversities such as possible economic downturn, material adverse change in the fitting-out industry or severe disasters, nor can they support our growth through business expansion. We expect that the cash outflow for our business operation will further increase correspondingly when the number of sizeable projects we take up increases along with our expansion plan. If there is no additional funding from the **[REDACTED]**, our cash balance may not be sufficient to sustain our business should there be any adverse changes to our financial position.

Based on the above, our Directors consider that we have a genuine need for equity fund-raising in order to fully implement our expansion plan and business strategies, while at the same time maintaining a sufficient level of cash balance for our day-to-day operations, and a reasonable buffer for emergency situations or potential business opportunities.

Ease of raising funds in the capital market for future business development

Despite the fact that our Group was able to sustain our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, we plan to seek equity financing as it would ease our cash flow as compared to debt financing from bank or financial institutions due to the following reasons:

(a) debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal guarantee from our Group and/or our Controlling Shareholders as security for our bank borrowings, which would increase our reliance on our Controlling Shareholders and negatively affect our liquidity. On the other hand, our Directors consider that as a group of private companies usually does not have a large amount of fixed assets as collateral, it would be difficult for our Group, without a **[REDACTED]** status, to obtain bank borrowings at a competitive rate without guarantees provided by our Controlling Shareholders. Taking into account the fact that (i) our 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 our Group to aggressive gearing in order to achieve sustainable growth in the long run, our Directors consider that the net **[REDACTED]** from the **[REDACTED]** are necessary for the implementation of our future business plans as opposed to debt financing given the interest expenses would impose additional cash flow burden to our Group; and

(b) heavy reliance on debt financing would subject our Group to the inherent risks of higher interest rate and finance costs. Our Group's financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing to fund our business expansion.

The **[REDACTED]** will allow us to gain access to the capital market for fund raising, will assist our future business development and enhance our competitiveness. We will be able to use secondary fund raising after the **[REDACTED]** for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. While we will continue to obtain certain amount of banking facilities after the **[REDACTED]** alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with enlarged capital structure. By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers and subcontractors. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes us to increasing financial costs in the future.

Diversifying our shareholder base

Our Directors believe that the **[REDACTED]** will enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of privately held shares 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 our Shares.

USE OF [REDACTED]

We estimate the **[REDACTED]** from the **[REDACTED]** which we will receive, assuming an **[REDACTED]** of HK$**[REDACTED]** (being the mid-point of the **[REDACTED]** range), will be approximately HK$**[REDACTED]**, after deduction of **[REDACTED]** and commissions and estimated expenses payable by us in connection with the **[REDACTED]** and assuming the **[REDACTED]** is not exercised.

We intend to apply the net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]** for the following purposes assuming the **[REDACTED]** is not exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]** range:

- approximately **[REDACTED]** of the **[REDACTED]** (approximately HK$**[REDACTED]**) for payment of upfront costs for new projects such as payment of subcontracting fees and costs of materials;

  We may experience net cash outflows at the early stage of a project as we are required to bear expenses upfront. Our customers make progress payments according to our work progress, and such payments need to be certified by our customers before we issue an invoice to them. In addition, where our contracts provide that our customers shall be entitled to retention money, 50% of the retention money will be released upon completion of the project and the remaining retention money will be released upon expiry of the defects liability period. Accordingly, our cash flow typically turn from net outflows at the early stage of a project into accumulative net inflows gradually as the project progresses. The upfront costs of our projects generally include subcontracting fees and costs of materials. We target to undertake more sizeable projects with contract sum ranging from approximately HK$100 million to HK$150 million per project with new customers. These sizeable projects are generally cash flow demanding. Based on our operation history during the Track Record Period, a sizeable project with total contract sum ranging from HK$100 million to HK$150 million with a new customer generally requires us to pay upfront costs representing approximately 10% of the total contract sum before such costs can be recovered from our customers after a period of approximately 3 to 4 months. This results in a cash flow gap. Limited by our available resources during the Track Record Period, we were unable to tender for more sizeable projects with contract sum in the HK$100 million to HK$150 million range.

  Subsequent to the Track Record Period and up to the Latest Practicable Date, 2 new contracts, with an aggregate original contract sum of approximately HK$70.9 million were awarded to our Group. As at the Latest Practicable Date, we had a total of 29 projects on hand (including projects that have commenced but not completed and projects that have been awarded to us but works have not yet been commenced) among which 4 projects have total contract sum exceeding HK$100 million each. The aggregate total contract sum of these 4 projects with total contract sum exceeding HK$100 million each amounted to over HK$680 million. As at 13 June 2018, we had also submitted tender for a project with original contract sum amounting to over HK$180 million. These projects or our other potential projects would entail stronger revenue stream but at the same time, a substantive amount of upfront costs and a larger amount of retention moneys, which may tie up our resources during the term of the contract and thereby affect our liquidity. We therefore intend to apply the **[REDACTED]** for the upfront costs in respect of our projects on hand and potential projects.

- approximately **[REDACTED]** of the net **[REDACTED]** (approximately HK$**[REDACTED]**) for obtaining performance bond;

  As at the Latest Practicable Date, we had submitted a tender for a residential development fitting-out project with a new customer, being a subsidiary of a property development and investment group listed on the Stock Exchange, with original contract sum amounting to approximately HK$129.0 million. If our tender bid were successful, we would be required to obtain a performance bond amounting to approximately HK$12.9 million, representing approximately 10% of the original contract sum. Limited by our available financial resources and cash level as discussed in the paragraph headed "We have a genuine funding need in order to expand our business" in this section, we had difficulties from undertaking projects from new customers historically as it is our Directors' experience that customers tend to require contractors whom they have not previously established business relationship to provide performance bond to secure their performance and obligations under the contracts. Due to the requirement of performance bonds, as part of our prudent financial management to ensure sustainable growth and capital sufficiency, our Directors were historically sceptical in submitting tenders for sizeable projects with new customers. Our revenue therefore concentrated among our top five customers during the Track Record Period as we were not required to obtain performance bonds under our contracts with these customers due to our long-term business relationship with them. Nevertheless, our Directors consider that customer diversification is imperative to nurturing a sustainable business. While we have demonstrated efforts in reducing our reliance on our top five customers as discussed in the section headed "Business – Our customers – Customer concentration" in this document, our Directors consider that it is desirable to reserve cash for current and future projects that require performance bonds and continue to enhance our available financial resources and strengthen our liquidity position in order to further diversify our customer base. The aforementioned potential project is expected to commence in September 2018 and expected to be completed in December 2019. We therefore intend to apply the **[REDACTED]** for obtaining performance bond under the aforementioned potential project to secure our due and timely performance of our obligations and for other potential projects should our tender bid for the aforementioned project become unsuccessful. Should our tender bid for this potential project become unsuccessful, we intend to allocate the portion of the proceeds for obtaining performance bond for other upcoming potential sizeable projects with original contract sum in the range of HK$100 million to HK$150 million.

- approximately **[REDACTED]** of the net **[REDACTED]** (approximately HK$**[REDACTED]**) for repaying our bank borrowings:

  As at 30 April 2018, our bank borrowings amounted to HK$35.9 million with effective interest rates of bank borrowings ranging from HKD Prime Rate minus 0.5% to HKD Prime Rate plus 0.5% per annum, and flat rate of 4.2% and flat rate of 4.8%. Such bank borrowings had been renewed and taken out on an ongoing basis since the beginning of the Track Record Period for working capital purposes and have maturity periods ranging from repayment on demand to one year. Our Directors consider that in view of our expansion plan and historical rise in reliance on bank borrowings during the Track Record Period as well as the anticipated increase in interest rate going forward, it will be desirable for us to repay our bank borrowings taking into account the benefits of equity financing over debt financing as discussed in the paragraph headed "Reasons for the **[REDACTED]** – Ease of raising funds in the capital market for future business development" in this section above. It is anticipated that our financial position will improve to a healthier position by maintaining a low gearing level without disrupting our expansion plan to take on more sizeable fitting-out projects and at the same time diversifying our customer base. Our existing banking facilities can therefore be reserved to weather any material and unexpected adversities such as possible economic downturn, material adverse change in the fitting-out industry or severe disasters. We therefore intend to apply the net proceeds for repaying our bank borrowings to minimise our future interest cost expenses and to achieve the benefits as discussed.

- approximately **[REDACTED]** of the net **[REDACTED]** (approximately HK$**[REDACTED]**) for expanding our workforce through hiring a total of 44 additional staff.

  Although we strategically subcontract on-site labour intensive works to our subcontractors in order to optimise our business operation, our Directors consider that going forward, it may be beneficial for us to carry out the labour intensive works using our own direct labour resources rather than subcontracting since we have more control as to the profit markup. As at 13 June 2018, we had also submitted tender for a project with original contract sum amounting to over HK$180 million. Based on the scope of works and our available resources under some of our sizeable projects with approximate total contract sum ranging from HK$170 million to HK$190 million undertaken throughout the Track Record Period, it is estimated that if we were to proceed with our expansion plan to take up more sizeable fitting-out projects, such as the aforementioned project with original contract sum amounting to over HK$180 million, we may achieve a higher profit margin by gradually hiring additional direct workers to perform on-site fitting-out works rather than subcontracting the fitting-out services to our subcontractors. In addition, we may also need to hire additional project management and office staff to cope with our expansion plan. Therefore, we intend to apply the net proceeds for hiring both additional office staff and on-site direct workers as part of our expansion plan.

The table below sets forth particulars of the additional staff we intend to hire and the approximate expected annual salary range of the 44 additional staff:

Role	**Number of staff to be recruited**	**Approximate annual salary range per staff**
		HK$
Accounting and finance	2	234,000 – 325,000
Administration and human resources	2	208,000 – 286,000
Quantity surveying	2	364,000 – 585,000
Drafting	1	390,000
Project management	8	325,000 – 780,000
Safety and occupational health	2	208,000 – 585,000
Direct workers	27	422,500 – 455,000

- approximately **[REDACTED]** of the net **[REDACTED]** (approximately HK$**[REDACTED]**) for general working capital of our Group.

The above allocation of the net **[REDACTED]** will be adjusted on a pro-rata basis in the event that the **[REDACTED]** is fixed at the high-end or low-end compared to the mid-point of the **[REDACTED]** range. To the extent that the net **[REDACTED]** of the **[REDACTED]** are not immediately used for the purposes described above, they will be placed on short-term interest bearing deposits or treasury products with authorised financial institutions.

IMPLEMENTATION PLAN

The tables below set forth a summary of our implementation plan:

	[REDACTED] to 31 March 2019	**1 April 2019 to 31 March 2020**	**1 April 2020 to 31 March 2021**	**[REDACTED]**	**[REDACTED]**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*%*
Payment of upfront costs for new projects	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Obtaining performance bond	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Repayment of bank borrowings	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Expanding our workforce	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
General working capital	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
			Total	**[REDACTED]**	**100.0**

From the [REDACTED] to 31 March 2019

Business strategy	Implementation plan	[REDACTED] *HK$'000*
Strengthening our financial position	• Payment of upfront costs for new projects	**[REDACTED]**
Strengthening our financial position	• Obtaining performance bond	**[REDACTED]**
Strengthening our financial position	• Repayment of bank borrowings	**[REDACTED]**
Expanding our workforce	• Hiring 1 additional accounting and finance staff	**[REDACTED]**
	• Hiring 1 administration and human resource staff	**[REDACTED]**
	• Hiring 2 project management staff	**[REDACTED]**
	• Hiring 1 safety and occupational health staff	**[REDACTED]**
	• Hiring 12 additional direct workers	**[REDACTED]**

From 1 April 2019 to 31 March 2020

Business strategy	Implementation plan	[REDACTED] *HK$'000*
Expanding our workforce	• Additional staff costs for retaining the additional staff	**[REDACTED]**
	• Hiring 1 additional accounting and finance staff	**[REDACTED]**
	• Hiring 1 additional administration and human resource staff	**[REDACTED]**
	• Hiring 2 additional quantity surveying staff	**[REDACTED]**
	• Hiring 1 draftsman	**[REDACTED]**
	• Hiring 6 additional project management staff	**[REDACTED]**
	• Hiring 1 safety and occupational health staff	**[REDACTED]**
	• Hiring 10 additional direct workers	**[REDACTED]**

From 1 April 2020 to 31 March 2021

Business strategies	Implementation plan	[REDACTED] *HK$'000*
Expanding our workforce	• Additional staff costs for retaining the additional staff	**[REDACTED]**
	• Hiring 5 additional direct workers	**[REDACTED]**