
FUTURE PLANS AND [REDACTED]

BUSINESS OBJECTIVES AND STRATEGIES

Our Group will endeavour to expand our business operations by adopting our business strategies through the following implementation plans. For details of our business strategies, please refer to the paragraph headed “Business – Business strategies” in this document. Our Group’s actual course of business may vary from the business objectives set out in this document. There can be no assurance that the plans of our Group will be materialised in accordance with the expected time frame or that the business objectives of our Group will be accomplished at all.

REASONS FOR THE [REDACTED]

The principal business objective of our Group is to further strengthen our market position, increase our market share and capture the growth in the Hong Kong’s civil and electrical engineering industries. We intend to achieve our business objective by expanding our scale of operation through our intended effort in actively seeking opportunities in undertaking additional and/or sizeable civil and electrical engineering works projects, from both our existing and potential new customers, on top of our present scale of operation and our current projects on hand. Our Directors believe that the [REDACTED] is beneficial to our Company and our Shareholders as a whole because of the following reasons:

- the [REDACTED] from the [REDACTED] will provide additional financial resources to our Group for our business plans as set out in the paragraph headed “Business – Business strategies” in this document, which will further strengthen our market position and enable us to capture the future opportunities arising from the growth of the civil and electrical engineering works industry in Hong Kong;
- a public [REDACTED] status will enhance our corporate profile and recognition and enable our Group to be considered more favourably by our customers when tendering for civil and electrical engineering works projects, given that a [REDACTED] company is subject to ongoing regulatory compliance for announcements, financial disclosures and corporate governance;
- the [REDACTED] will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders. Such platform would allow us to gain direct access to the capital market for equity and/or debt financing, both at the time of the [REDACTED] as well as at later stage, to fund our existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance to enhance Shareholders’ return; and

FUTURE PLANS AND [REDACTED]

- upon the [REDACTED], our Shares will be freely traded on the Stock Exchange. A public [REDACTED] status will offer us a broader shareholder base which could lead to a more liquid market in the trading of our Shares.

Funding needs for implementing our business strategies

As at 31 March 2024, our cash and cash equivalents, being our immediately available working capital, amounted to approximately HK\$27.4 million. Our Directors consider that the amount of our available working capital fluctuates from time to time, depending on the timing of (i) payment from our customers; and (ii) payment to our subcontractors and suppliers of materials and other services. As disclosed in the paragraph headed “Business — Business Strategies”, it is our business strategies to compete for more sizable project which would require a more solid base of working capital and machinery as well as human resources.

In view of the aforesaid, it is necessary for our Group to gain access to the capital market and raise funds to enrich our source of capital for expanding our fleet of machinery, expanding our workforce and/or undertaking additional and/or sizeable projects which would inevitably require more available cash for up-front costs and general working capital.

[REDACTED]

We estimate that the [REDACTED] from the [REDACTED] (assuming the [REDACTED] is not exercised) based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED], after deducting the related [REDACTED] expenses, are estimated to be approximately HK\$[REDACTED]. We intend to apply such [REDACTED] in the following manner:

- (a) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], will be used for acquiring additional electric machinery and equipment comprising, among others, electric excavators, portable combo fast charging stations, dump trucks, electric cement mixer and electric crawler crane required for our projects, in particular for site formation works and electrical engineering works. Most of our machinery and equipment are deployed to various works sites for our projects as at the Latest Practicable Date. We consider that it is imperative for us to acquire additional machinery and equipment taking into account our demand for machinery and equipment for our ongoing projects and contracts that we will submit tender with reference to their operating condition and the cost effectiveness of such replacement. Our Directors believe that with newly purchased electric machinery and equipment, our Group will be able to benefit from (i) better environmental-friendliness, works efficiency and technical

FUTURE PLANS AND [REDACTED]

capabilities; (ii) saving fuel and oil expenses; and (iii) the increase in flexibility in efficiently deploying resource. As disclosed in the paragraph headed “Business — Business strategies” in this document, our executive Directors are of the view that sustainable construction is our Company’s corporate social responsibility and is a megatrend in the construction industry. Through investing in and deploying electric machinery in our upcoming projects, our executive Directors believe that our Group can be a pioneer in the construction industry to foster sustainable construction culture and make a contribution towards Hong Kong’s “Zero-carbon Emissions • Liveable City • Sustainable Development” vision.

Particulars of additional electric machinery and equipment we intend to acquire are as follows:

Additional electric machinery and equipment	Quantity	Estimated costs <i>HK\$’000</i>
Platform	5	1,285
Electric Excavator	12	13,200
Wheel Loader	1	1,550
Portable Combo Fast Charging Station	3	10,350
Electric Forklift	3	810
Dump Truck	10	14,000
Electric Cement Mixer	6	12,000
Electric Crawler Crane	3	14,535
Truck Crane	1	2,360
		70,090

- (b) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], will be used for paying upfront costs for our new projects;

Based on our operation history during the Track Record Period and depending on the scale of the projects, the average timeframe between (i) the time when we first incurred the up-front costs; and (ii) the time when we first generate positive monthly cash flow in respect of the project is on average seven months (the “Up-front Period”). Depending on our terms of engagement with different customers, in respect of the top projects undertaken during the Track Record Period, the total amount of up-front costs incurred by our Group during the Up-front Period represented on average 20% of the contract sum of the project.

FUTURE PLANS AND [REDACTED]

During the Track Record Period, we achieved a significant growth in our backlog value. Our backlog value increased from approximately HK\$221.4 million as at 31 March 2022 to approximately HK\$722.0 million and HK\$650.5 million as at 31 March 2023 and 31 March 2024, respectively. As at 30 April 2024, we had 25 projects on hand, with value of backlog of approximately HK\$570.2 million. Based on the foregoing, our executive Directors are of the view that our Group have demonstrated our capability to expand our project portfolio during the Track Record Period through obtaining new sizable projects.

In addition, we had a sustainable tender success rate at 33.9%, 28.4% and 29.0% for FY2021/22, FY2022/23 and FY2023/24, respectively, and we also had a stable number of new projects during the Track Record Period. For FY2021/22, FY2022/23 and FY2023/24, we had 27, 32 and 28 new projects, respectively.

As at the Latest Practicable Date, our Group had 22 submitted tenders which were still undergoing tender selection process and pending tender result. Out of these 22 tenders, our executive Directors are positive that we shall be able to secure 2 projects, taking into consideration the latest negotiation with the relevant customer. The following table sets forth particulars of the tendered projects:

Tender No.	Project sector	Type of works	Location	Status	Date of commencement and completion of our works
T01	Private	Site formation	Kowloon City	Please refer to the below.	Commencement: second quarter in 2025 Completion: second quarter in 2027
T02	Public	Civil engineering works	Tuen Mun	Submitted tender based on negotiation with customer which is the main contractor of the project	Commencement: fourth quarter in 2024 Completion: second quarter in 2026

Our total tender amount in respect of Tender No. T01 and No. T02 is approximately HK\$705.3 million and the estimated amount of up-front costs thereon is approximately HK\$141.1 million.

Note: The expected commencement and completion dates are provided based on our management’s best estimation. In making the estimation, our management takes in account factors including the formal contract, letter of award (if applicable) and the estimated work schedule.

FUTURE PLANS AND [REDACTED]

In respect of T01, based on our recent communication with the customer which indicated that they incline to negotiate and enter into a letter of award with us. Based on the experience of our executive Directors, a customer generally would not positively indicate their intention to its subcontractor unless the entering into the letter of award is in contemplation. Therefore our executive Directors consider that this communication is an indication that we were shortlisted to the advanced stage of tender selection process. Our executive Directors expected that the tender result of Tender No. T01 to be received in the fourth quarter of 2024.

In the event that the [REDACTED] designated by us are insufficient to fully fund the up-front costs of those projects successfully obtained by us, we currently plan to finance the shortfall by our internal resources and/or debt financing.

There is inherent uncertainty involved in predicting the number and scale of projects which will eventually be awarded to us and when exactly we are required to make available cash for project up-front costs. Further, the time required to complete tender review process and the subsequent award of contract varies depending on the customer and project size. Therefore, there is no assurance that we can accurately estimate when the results for the tenders we submitted are released or when exactly we are required to incur the up-front costs for the projects awarded. These timelines will depend on, among others, (i) the timetable of the potential project which may or may not be available to us before we submit a tender; (ii) the particular customer's internal arrangement which may be affected by market conditions and may or may not adhere to the original project timetable provided to us; (iii) the scope of work of the project which may in turn affect whether and when we are required to make payments to our subcontractors and suppliers; and (iv) our negotiation with our customers which may in turn affect the payment terms of our projects.

- (c) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], will be used for recruiting new staff members;

As at 30 April 2024, we had 25 projects on hand, with value of backlog of approximately HK\$570.2 million. Of which, 5 projects with revenue contribution of HK\$10.0 million or more had commenced.

FUTURE PLANS AND [REDACTED]

Typically, in respect of a project with contract sum of HK\$10.0 million or more, we need to designate a full team consisting of project management and supervision personnel, safety personnel, quantity surveyors and engineers. Based on the number and scale of our projects on hand as at the Latest Practicable Date, each of our project supervision staff was required to oversee multiple projects concurrently. Our executive Directors consider that it is crucial for our Group to maintain this work allocation ratio in order to ensure that we can properly supervise the works of our employees and/or subcontractors and ensure their works are performed in conformance with our customers’ requirements and specifications. For the details of our staff as at the Latest Practicable Date, please refer to the paragraph headed “Business — Employees” in this document. Taking into consideration the expected increase in project supervision works associated with (i) the projects on hand as at the Latest Practicable Date; and (ii) the tendered projects of which our executive Directors are positive to secure as at the Latest Practicable Date, our executive Directors consider that our current project management staff might not be able to properly and adequately supervise and manage the site works performed. Therefore, our executive Directors consider that it is not feasible to maintain our project management efficiency if we continue to obtain additional projects in the future without expanding our human resources.

Further, the increase in number of projects generally entails an increase in number of project worksites. As a result, our project supervision staff will be required to visit more locations in order to carry out their project supervisory works for different projects. If we intend to take up more sizeable and additional projects without recruiting additional personnel, we may fail to maintain our service quality because our project supervision staff could (i) become less responsive to our customers’ requests and enquiries owing to the increase in workload; (ii) fail to promptly address ad-hoc or urgent matters at a particular project site as they may be occupied with management and supervisory works at other project sites at that time; and (iii) fail to closely monitor the work progress and quality of our employees and/or subcontractors resulting in delay or sub-standard works.

In view of the aforesaid, if we cannot expand our manpower to cope with the expected increase in our project backlogs, we may have to adopt a less proactive tendering strategy and reduce our submission of new tenders for additional projects until our workloads are reduced to a more manageable level. While this may provide a temporary measure to overcome our manpower constraint, this may be detrimental to our competitiveness in the long run because failure to respond to tender invitations may be perceived negatively by our customers and they could be less inclined to invite us to for their projects again in the future.

FUTURE PLANS AND [REDACTED]

The following table sets out the particulars of staff by different functions that we intend to recruit upon [REDACTED]:

Position	Preferred experience	Approximate monthly salary	No. of headcounts	Expected annual cost
		<i>HK\$</i>		<i>HK\$'000</i>
Senior Project Manager	10 years	90,000	1	1,080
Project Manager	5 years	65,000	2	1,560
Safety Manager	10 years	75,000	1	900
Safety Officer	5 years	46,000	2	1,104
Quantity Surveyor	10 years	40,000	2	960
Assistant Quantity Surveyor	5 years	22,000	3	792
Engineer	5 years	38,000	2	912
Senior Engineer	10 years	58,000	1	696
		Total:		<u>8,004</u>

- (d) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], will be used for procuring Smart Site Safety System and an enterprise resources planning system; and
- (e) approximately HK\$[REDACTED], representing approximately [REDACTED]% of the estimated [REDACTED], will be reserved for our general working capital.

BASIS AND ASSUMPTIONS

The implementation plan set out by our Directors is based on the following 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 changes 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 changes 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;

FUTURE PLANS AND [REDACTED]

- there will be no changes in the effectiveness of the licences, permits and qualifications obtained by our Group, where applicable;
- 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 in the section headed “Risk factors” in this document.

There can be no assurance that the [REDACTED] from the [REDACTED] will be sufficient for fully implementing our business expansion plans. For instance, (i) the up-front costs requirement for projects awarded to us may exceed the [REDACTED] allocated for such purpose as set out above; (ii) the number of machinery we intend to purchase may not be sufficient to fulfil the machinery needs associated with the increase in number and scale of projects to be undertaken by us; and (iii) the number of additional staff we intend to recruit may not fulfil the manpower needs as we continue to undertake additional and more sizeable projects. In the event any of the above occurs or that the [REDACTED] becomes unsuccessful such that the [REDACTED] from the [REDACTED] becomes unavailable to us, we may adjust the timing and scale of our business expansion plans and/or seek alternative form of financing.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by the applicable laws and regulations, we will deposit the [REDACTED] into short-term interest-bearing deposits with licensed commercial banks in Hong Kong and/or other authorised financial institutions (as defined under the SFO).

In the event that the [REDACTED] is exercised in full, we estimate that we will receive additional [REDACTED] from the sales of these additional [REDACTED] of approximately HK\$[REDACTED], after deducting the [REDACTED] commissions and other estimated [REDACTED] expenses payable by us and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the proposed [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED]. In the event that the [REDACTED] is set at the low-end of the proposed [REDACTED] range and the [REDACTED] is exercised in full, our Company will receive additional [REDACTED] of approximately HK\$[REDACTED]. In the event that the [REDACTED] is set at the high-end of the proposed [REDACTED] range and the [REDACTED] is exercised in full, our Company will receive additional [REDACTED] of approximately HK\$[REDACTED]. The allocation of the additional [REDACTED] will be used in the same proportions as set out above.

FUTURE PLANS AND [REDACTED]

Assuming the [REDACTED] is not exercised at all, and in the event that the [REDACTED] is set at the highest or lowest point of the indicative [REDACTED] range, the [REDACTED] to be received from the [REDACTED] will increase or decrease by approximately HK\$[REDACTED], respectively. In such event, the [REDACTED] will be used in the same proportions as disclosed above.

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