
FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVE AND STRATEGIES

Our goal is to continue to be one of the leading ELV solutions providers in Hong Kong. Please refer to the paragraph headed “Business – Business strategies” in this prospectus for a description of our future plans.

REASONS FOR THE SHARE OFFER AND USE OF PROCEEDS

The net proceeds of the Share Offer will provide us with the necessary funding to expand our business, allow us to take up larger projects and strengthen our financial position. Our Directors also believe that listing of the Shares on GEM will allow us to access the capital market for raising funds in the future. More importantly, a public listing status will enhance our corporate profile and recognition, which our Directors believe can (i) assist us in the tendering process for new projects; (ii) strengthen our relationships with our existing suppliers and customers; and (iii) promote our brand to potential new customers.

As at 31 August 2016, our Group’s cash and bank balances was approximately HK\$5.8 million and the borrowings were approximately HK\$17.5 million. As discussed in the paragraph headed “Business – Business strategies” in this prospectus, we must maintain a strong financial position to secure more projects with larger contract sum from the customers in the public sector.

The Directors consider the current balances can support the Group’s existing operations, but cannot support the Group’s growth. The net proceeds expected to be received by us from the Share Offer are necessary for the implementation of the Group’s future plans which require capital including approximately HK\$12.0 million for expanding its existing ELV solutions business; approximately HK\$4.4 million for obtaining additional licenses and qualifications; approximately HK\$3.0 million for purchasing five commercial vehicles and two street lamp cars; and approximately HK\$1.5 million for developing new mobile app for customers, totaling to approximately HK\$20.9 million.

As a result, there is a shortfall of the capital for the Group to conduct the expansion plan. Therefore, the Group has a justifiable funding need and that it is in the interest of the Group to conduct equity financing through the Share Offer. Our Directors confirm that we will commence the expansion plan after we have obtained the net proceeds from the Share Offer.

Alternatively, our Directors considered as an ELV solution providing company, human capital is considered as one of the most valuable assets. Thus, the Group generally does not invest in any significant amount of fixed assets (e.g. land and buildings) to render its services. As such, our Group does not have any material amount of fixed assets available for security or pledge to support us to secure a higher amount of banking facilities for our business needs.

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Moreover, the Directors were reluctant to obtain large amounts of debt financing since unfavourable terms such as interest rate and collateral requirement are relatively unfavourable when comparing with equity financing. Ultimately, raising fund through Share Offer is undoubtedly more justifiable than obtaining additional bank loan.

Assuming that the Offer Price is determined at HK\$0.15 (being the mid-point of the Offer Price range), the aggregate amount of net proceeds of the Share Offer to be received by our Company after deducting the underwriting commission and estimated expenses payable by our Company is estimated to be approximately HK\$31.5 million. Our Directors currently intend to apply such net proceeds in the following manner:

- (a) approximately HK\$12.0 million or 38.1% will be used for expanding our existing ELV solutions business by offering instalment payment option to our customers;
- (b) approximately HK\$4.4 million or 14.0% will be used for obtaining additional licences and qualifications;
- (c) approximately HK\$8.0 million or 25.4% will be used for reducing our gearing ratio by repaying a certain bank borrowing in an one-off manner⁽¹⁾;
- (d) approximately HK\$3.0 million or 9.5% will be used for purchasing five more commercial vehicles and two street lamp cars;
- (e) approximately HK\$1.5 million or 4.8% will be used for developing new mobile app for our customers to place their order for maintenance service; and
- (f) approximately HK\$2.6 million or 8.3% will be used for working capital and other corporate development purposes.

Note 1: It refers to a revolving term loan of approximately HK\$8.0 million with interest charged at 2.0% per annum below prime rate and will mature every three months from the drawdown date.

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The above allocation of the net proceeds of the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is determined at a higher or lower level compared to the mid-point of the Offer Price range.

Assuming that the Offer Price is determined at HK\$0.17 (being the high-end of the Offer Price range), our Company will receive additional net proceeds of approximately HK\$5.8 million. We current intend to apply such additional net proceeds to the above proposed ways of use of proceeds, save and except for the repayment of outstanding bank loan, on a pro-rata basis.

Assuming that the Offer Price is determined at HK\$0.13 (being the low-end of the Offer Price range), the net proceeds our Company receives will be reduced by approximately HK\$5.8 million. We currently intend to reduce the net proceeds to the above proposed ways of use of proceeds, save and except for the repayment of outstanding bank loans, on a pro rata basis.

To the extent that the net proceeds of the Share Offer are not immediately required for the above purposes, our Directors currently intend that such proceeds be placed on short-term deposits with licensed banks and/or financial institutions.

We estimate that ECI Asia will receive net proceeds of approximately HK\$10.5 million assuming that the Offer Price is determined at HK\$0.15 (being the mid-point of the range of the Offer Price). We will not receive any of the net proceeds of the Share Offer from the sale of the Sale Shares by ECI Asia.

Our Directors consider that the net proceeds from the Share Offer together with our internal resources will be sufficient to finance the implementation of our business plans as set forth in the paragraph under in this section. **Investors should be aware that any part of our business plans may not proceed according to the time frame as described above due to various factors. Under such circumstances, our Directors will evaluate carefully the situation and will hold the funds as short-term deposits until the relevant business plan(s) materialise.**

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IMPLEMENTATION PLAN

In light of the business objectives of our Group, we will seek to attain the milestones contained in this paragraph from the Latest Practicable Date to 31 September 2018. Prospective investors should note that the milestones and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will materialise in accordance with the expected timeframe or that the objectives of our Group will be accomplished at all. Based on the current status of the industry, our Directors intend to carry out the following implementation plans:

(a) For the period from the Latest Practicable Date to 31 August 2017

		<i>HK\$ million</i>
Expand our existing ELV solutions business by offering instalment payment option to our customers	Obtain four installation projects	3.0
Reduce our gearing ratio	Repaying a certain bank borrowing in an one-off manner	8.0
Purchase equipment	Purchase one street lamp car	1.0
	Purchase four commercial vehicles for our maintenance team	0.8
Develop new software	Engage external professionals to develop mobile app for our customers	1.5

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(b) For the period from the 1 September 2017 to 28 February 2018

		<i>HK\$ million</i>
Expand our existing ELV solutions business by offering instalment payment option to our customers	Obtain six installation projects	3.6
Purchase equipment	Purchase one street lamp car	1.0
	Purchase one commercial vehicle for our maintenance team	0.2

(c) For the period from the 1 March 2018 to 31 August 2018

		<i>HK\$ million</i>
Expand our existing ELV solutions business by offering instalment payment option to our customers	Obtain nine installation projects	5.4
Obtain additional licences and qualifications	Satisfy the minimum working capital and employed capital requirement for “Electrical and Mechanical Installation for Sewage Treatment and Screening Plant”	3.4
	Purchase relevant equipment for the project under this qualification	1.0

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BASES AND ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

- (a) we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- (b) there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- (c) there will be no change in the funding requirement for each of the near term business objectives described in this prospectus from the amount as estimated by our Directors;
- (d) there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- (e) there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- (f) there will be no change in the effectiveness of the qualifications and licences obtained by our Group; and
- (g) we will not be materially affected by the risk factors as set out in the section headed “Risk factors” in this prospectus.