

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED] Shares.

There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] Shares are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED] Shares.

BUSINESS OVERVIEW

The Group is principally engaged in the provision of engineering services for building services systems in Hong Kong. The Group undertakes building services engineering works which are mainly related to the supply, installation and maintenance of (i) ventilation and air-conditioning system; (ii) electrical system; (iii) plumbing and drainage system; and (iv) fire services system.

During the Track Record Period, the Group undertook building services engineering projects from the private sector for each of the two years ended 31 December 2013 and 2014 and the three-month period ended 31 March 2015. The Group's revenue is derived from building services engineering projects relating to both existing building and new building. During the Track Record Period, all of the Group's revenue was derived in Hong Kong.

In executing a building services engineering project, subject to the scope of work under the engagement, the Group is generally responsible for the design of the relevant building services systems, planning of the engineering works, arrangement of direct labour and subcontractors, sourcing of materials and equipment, work supervision and quality control, and ensuring compliance with the customers' requirements. In certain projects, the Group also provides complementary fitting-out services.

The allocation of works between in-house team of workers and subcontractors are determined in a case-by-case basis. Based on the Group's internal policies on engaging subcontractors, the Group generally assigns its in-house workers to perform engineering works for air-conditioning system and electrical system, which usually include the installation and configuration of control panels and ancillary systems, while the Group generally assigns subcontractors to perform works such as fire services system, plumbing and drainage system, and fitting out works, which the Directors considered to be less technical in certain projects. The Group leverages on the expertise of its in-house engineering team to deliver quality work in conformity with customer's expectation and prescribed timeframe.

The Group's client base primarily consists of main contractors who contract all or part of the engineering works for building services systems to other subcontractors, such as the Group, and in some cases, landlords or occasionally property developers or their consultants, who directly engage the Group as main contractor or as nominated subcontractor. The Group's building services engineering projects cover different types of buildings, including residential, commercial (e.g. office, hotel and shopping arcades, etc), industrial and institutional (e.g. hospital and academic institutions).

Revenue from a building services engineering project mainly represents the contract income, while main costs include subcontracting charges incurred by the Group, material and equipment costs, direct labour costs of in-house staff involved, and other supplies required for the performance of the works.

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The contracts the Group entered into with its customers are categorised into two types, namely (i) building services engineering projects for existing building and new building; and (ii) maintenance projects which mainly include provision of maintenance and repair services for building services system and replacement of parts. For building services engineering projects, the Group is required to complete the engineering works in relation to the installation and/or upgrade of building services systems as set out in the scope of work under the contract. For maintenance projects, the Group is required to provide maintenance services for existing building services systems of a property and/or a portfolio of properties over a fixed contract period. Such maintenance services include regular check and maintenance, and emergency call-out service for emergency repair.

The following table sets out a breakdown of the Group’s revenue during the Track Record Period by building services engineering projects and maintenance projects:

	For the year ended 31 December				For the three-month period ended 31 March				
	2013		2014		2014		2015		
	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%	
					(Unaudited)				
Building services engineering projects	127,400	87.6	118,360	87.4	21,340	84.6	37,377	86.1	
Maintenance projects	<u>18,105</u>	<u>12.4</u>	<u>17,133</u>	<u>12.6</u>	<u>3,883</u>	<u>15.4</u>	<u>6,020</u>	<u>13.9</u>	
	<u>145,505</u>	<u>100.0</u>	<u>135,493</u>	<u>100.0</u>	<u>25,223</u>	<u>100.0</u>	<u>43,397</u>	<u>100.0</u>	

As at the Latest Practicable Date, the Group had 22 building services engineering projects and 28 maintenance projects in progress, with a total estimated outstanding contract sum and work order value of approximately HK\$198.1 million to be recognised after the Latest Practicable Date. Further details of the Group’s projects are set out in the sections headed “Business — Projects undertaken during the Track Record Period” and “Business — Projects in progress” in this document.

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LICENSES AND PERMITS

Lap Kei and Wealth E & M are the principal operating subsidiaries of the Company. As at the Latest Practicable Date, Lap Kei and Wealth E & M have the following registrations and licenses that are material to the business operations of the Group in Hong Kong:

Registration/licenses	Governing authority	Registrant/holder	Date of first registration/grant	Expiry date of current licenses/registration
Registered Electrical Contractor	EMSD	Lap Kei	23 February 1998	22 February 2016
		Wealth E & M	22 May 2009	21 May 2018
Registered Specialist Contractor (Ventilation Works)	Building Authority	Lap Kei	6 June 2002	22 July 2017
Registered Fire Service Installation Contractor — Classes 1 & 2	Fire Services Department	Lap Kei	28 August 2001	— (Note 1)
Approved Suppliers of Materials & Specialist Contractors for Public Works — Group I — Air-conditioning installation	Works Branch, Development Bureau	Lap Kei	15 August 2006	— (Notes 1 & 2)
Registered Minor Works Contractor (Classes I, II and III) (Note 3)	Buildings Department	Lap Kei	11 April 2012	11 April 2018

Notes:

- (1) The relevant registration/qualification is not subject to any periodic renewal.
- (2) Lap Kei is subject to certain criteria for retention of the qualification. Please refer to the section headed “Regulatory overview” in this document for the retention requirement.
- (3) Save for Type A (Alteration and addition works) minor works which Lap Kei is registered under Classes II and III only, Lap Kei is registered under Classes I, II and III for carrying out all other types of minor works, including Type B (Repair works) minor works, Type C (Works relating to Signboards) minor works, Type D (Drainage works) minor works, Type E (Works relating to structures for amenities) minor works, Type F (Finishes works) minor works and Type G (Demolition works) minor works.

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CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Group is mainly invited by its customer (either the main contractor, property developers or occasionally the landlord itself, or its consultant) to submit a tender, or is sometimes invited to provide a quotation, for a potential project. The Group’s top five customers accounted for approximately 51.0%, 47.1% and 75.0% of the total revenue for the year ended 31 December 2013, 31 December 2014 and the three-month period ended 31 March 2015 respectively. The top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that in the past or at all. Despite the concentration of customers, the Directors consider that the Group is not reliant on any single customer for reasons set out in the sections “Business — Customers — Customers concentration” in this document.

Besides, the Group’s top five suppliers accounted for approximately 64.9%, 50.7% and 52.3% of the total purchases for the year ended 31 December 2013, 31 December 2014 and the three-month period ended 31 March 2015 respectively. The Group’s top five subcontractors accounted for approximately 49.6%, 53.8% and 52.4% of the total subcontracting charges for the year ended 31 December 2013, 31 December 2014 and the three-month period ended 31 March 2015 respectively.

COMPETITIVE LANDSCAPE

There is a large number of building service engineering providers in Hong Kong and the competition in the market is intense. The Directors consider that there are entry barriers of the building service industry in Hong Kong which hinder new players from entering into the industry. Such entry barriers include (i) attainment of required registrations under different authorities for different types of works; (ii) credible track record built over years of high quality of projects; and (iii) attracting experienced and qualified technical personnel. Potential competitors will also have to face challenges such as increasing labour costs, subcontracting charges, material costs which can be affected by economic factors such as macro-economic trend, property market, interest rate and inflation rate. All of the above factors create entry barriers for the Group’s potential competitors. Based on the gross value of construction works in nominal terms performed by the main contractors and the subcontractors of special trades of approximately HK\$100 billion in 2014 issued by C&SD and the Group’s revenue of approximately HK\$135.5 million for the year ended 31 December 2014, the Group’s revenue represented approximately 0.14% to the gross value of construction works in nominal terms performed by the main contractors and the subcontractors of special trades in 2014. To the best knowledge of the Directors, due to the lack of official and public statistics and information on each of the industry players in Hong Kong, it is difficult to accurately estimate the exact market position of the Group in Hong Kong. For further details, please refer to the sections headed “Industry overview — Competitive landscape and entry barriers” and “Industry overview — Future opportunities and challenges” in this document.

COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to, among other things, the following competitive strengths: (i) established track record; (ii) long-term rapport with some of the Group’s major suppliers and subcontractors; (iii) integrated one-stop engineering services for building services system; and (iv) expertise and experienced engineering team to deliver the required services. Please refer to the section headed “Business — Competitive strengths” in this document for further details.

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FINANCIAL INFORMATION

The table below sets forth selected information and analysis from the combined statements of comprehensive income of the Group:

	Year ended 31 December		Three-month period ended 31 March	
	2013	2014	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Revenue	145,505	135,493	25,223	43,397
Gross profit	27,292	36,583	5,080	12,520
Profit before taxation	20,484	29,040	3,087	9,709
Profit and total comprehensive income for the year/period	16,863	24,253	2,579	8,109

The Group’s profit increase for the year ended 31 December 2014 comparing to the year ended 31 December 2013 was mainly attributable to the increase in gross profit as a result of the combined effect of an increase in gross profit margin for building services engineering projects which was partly offset by a decrease in gross profit margin for maintenance projects. The Group’s profit increase for the three-month period ended 31 March 2015 comparing to the three-month period ended 31 March 2014 was mainly attributable to the increase in revenue which resulted from the revenue contribution from Customer G of approximately HK\$12.9 million for the three-month period ended 31 March 2015 (for the three-month period ended 31 March 2014: nil) which project commenced in the second quarter of 2014 and continued through the first quarter of 2015. The project of Customer G had a higher gross profit margin of over 55% for the three-month period ended 31 March 2015 as compared with the Group’s overall gross profit margin of approximately 20.1% for the three-month period ended 31 March 2014. Please refer to the section headed “Financial information” in this document for a further discussion and analysis of the Group’s financial information.

The table below sets forth selected information from the combined statements of financial position of the Group:

	As at 31 December		As at 31 March
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	66,862	111,511	97,788
Current liabilities	34,557	61,346	61,371
Non-current assets	5,868	7,161	7,016
Non-current liabilities	—	—	—
Total equity	38,173	57,326	43,433

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The equity of the Group increased from approximately HK\$38.2 million as at 31 December 2013 to approximately HK\$57.3 million as at 31 December 2014 which was primarily resulted from the profit for the year of approximately HK\$24.3 million for the year ended 31 December 2014 and partly offset by the interim dividend of HK\$5.1 million during the year. The decrease in equity of the Group from approximately HK\$57.3 million as at 31 December 2014 to approximately HK\$43.4 million as at 31 March 2015 which was mainly attributable to the interim dividend of approximately HK\$22.0 million during the period and partly offset by the profit for the period of approximately HK\$8.1 million for the three-month period ended 31 March 2015.

The table below sets forth selected information from the combined statements of cash flows of the Group:

	Year ended 31 December		Three-month period ended	
	2013	2014	31 March	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2014</i>	<i>2015</i>
			<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Net cash from (used in) operating activities	15,564	41,991	5,077	(8,868)
Net cash (used in) from investing activities	(2,461)	(15,158)	3	11
Net cash used in financing activities	(4,588)	(2,316)	(579)	(835)
Net increase (decrease) in cash and cash equivalents	8,515	24,517	4,501	(9,692)
Cash and cash equivalents at beginning of year/period	1,033	9,548	9,548	34,065
Cash and cash equivalents at end of year/period	9,548	34,065	14,049	24,373

The cash and cash equivalents increased from approximately HK\$9.5 million as at 31 December 2013 to approximately HK\$34.1 million as at 31 December 2014 were mainly attributable to the profit for the year of approximately HK\$24.3 million and increase in trade and other payables of approximately HK\$26.1 million in the year ended 31 December 2014. The cash and cash equivalents decreased from approximately HK\$34.1 million as at 31 December 2014 to approximately HK\$24.4 million as at 31 March 2015 were mainly attributable to the increase in amounts due from customers for contract work of approximately HK\$6.9 million and decrease in trade and other payables of approximately HK\$13.2 million in the three-month period ended 31 March 2015.

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Key financial ratios

	For the year ended/ As at 31 December		For the three- month period ended/ As at 31 March 2015
	2013	2014	
Return on total assets	23.2%	20.4%	7.7%
Return on equity	44.2%	42.3%	18.7%
Current ratio	1.93 times	1.82 times	1.59 times
Gearing ratio	25.4%	14.2%	15.6%

Save as the gearing ratio, the current ratio, return on total assets and return on equity maintained stable from 31 December 2013 to 31 December 2014. The decrease in gearing ratio as at 31 December 2014 was mainly attributable to the increase in equity due to the profit for the year ended 31 December 2014 and the repayment of bank borrowing of approximately HK\$2.1 million during the year.

Please refer to the section headed “Financial information — Key financial ratios” in this document for further details of the Group’s financials.

SHAREHOLDING OF THE COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account any Shares that may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the Company will be owned as to (i) [REDACTED]% by Golden Luck, which is an investment holding company incorporated in BVI and owned as to 99% by Mr. Wong and 1% by Ms. So; and (ii) [REDACTED]% by public Shareholders.

Mr. Wong and Ms. So are spouses. They are the executive Directors and Controlling Shareholders. For details of the background of Mr. Wong and Ms. So, please refer to the section headed “Directors and senior management — Executive Directors” in this document.

RISK FACTORS

Each of the Controlling Shareholders, the Directors, the substantial shareholders and their respective close associates does not have any interest in a business apart from the Group’s business which competes or may compete, directly or indirectly, with the Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

There are certain risks involved in the Group’s operations, many of which are beyond the Group’s control. The relatively material risks encompass (i) the Group’s past revenue and profit margin may not be indicative of the Group’s future revenue and profit margin; (ii) the Group is dependent on its senior management and in-house engineers, inability to retain its staff may adversely affect the Group’s

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business operations; (iii) loss of authorised signatory and technical director for the Group’s registrations maintained with the Building Authority and Buildings Department; (iv) failure to accurately estimate and control the costs of the Group’s projects may adversely affect the Group’s financial performance; and (v) the Group may not be able to maintain or increase its success rate of attaining engagement of projects tendered and quoted. The Group’s operation and further growth may be limited by unavailability of financing at reasonable terms or at all. A detailed discussion of the risk factors that the Directors believe are particularly relevant to the Group is set out in the section headed “Risk factors” in this document.

BUSINESS STRATEGY

The Group intends to pursue the following key business strategies: (i) further development of the Group’s building services engineering business; (ii) further expansion of service scope; and (iii) further strengthening the Group’s engineering department. Further details of the Group’s business strategies are set out in the section “Business — Business Strategies” in this document.

LISTING EXPENSES

The Group expects that the total Listing expenses, which is non-recurring in nature, will amount to approximately HK\$[REDACTED] million (based on the [REDACTED] Price of HK\$[REDACTED] per Share, being the mid-point of the stated range of the [REDACTED] Price and assuming the [REDACTED] is not exercised). The Group expects to recognize approximately HK\$[REDACTED] million in the combined statement of comprehensive income for the year ended 31 December 2015 and to deduct the remaining of approximately HK\$[REDACTED] million from the Group’s capital. Accordingly, the financial results of the Group for the year ending 31 December 2015 are expected to be affected by the estimated expenses in relation to the [REDACTED]. Such Listing expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 December 2015 and the amount to be deducted from the Group’s capital is subject to change.

CONNECTED TRANSACTIONS

The Group will continue to have certain transactions, namely (i) subcontracting arrangement with Kin Kwan; and (ii) the lease of the premises for the Group’s general office and operational use from Mr. Wong, Ms. So and LKW Co., which are conducted in its ordinary and usual course of business and constitute continuing connected transactions of the Company pursuant to the GEM Listing Rules. Further details of the continuing connected transactions are set out in the section headed “Connected transactions” to this document.

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REASONS FOR THE [REDACTED] AND USE OF PROCEEDS

The Directors believe that the [REDACTED] of the Shares on GEM will enhance the Group’s profile and the net proceeds from the [REDACTED] will strengthen the financial position and will enable the Group to implement the Group’s business plans set out in the section headed “Statement of business objectives and use of proceeds” in this document. Furthermore, a public listing status on the Stock Exchange will offer the Group access to capital market for corporate finance exercise, assist the Group with further business development and strengthen the Group’s competitiveness.

	From the Latest Practicable Date to		For the six months ending			Total
	31 December 2015 <i>HK\$’m</i>	30 June 2016 <i>HK\$’m</i>	31 December 2016 <i>HK\$’m</i>	30 June 2017 <i>HK\$’m</i>	31 December 2017 <i>HK\$’m</i>	
Further development of the Group’s building services engineering business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further expansion of service scope	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further strengthening the Group’s engineering department	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

The Directors consider that the net proceeds from the [REDACTED] and the Group’s internal resources will be sufficient to finance the Group’s business plans up to the year ending 31 December 2017.

In the event that the [REDACTED] Price is set at the high-end and the low-end of the proposed [REDACTED] Price range, the Group will receive net proceeds of approximately HK\$[REDACTED] million and HK\$[REDACTED] million, after deducting related expenses, respectively. If the [REDACTED] Price is set at the high-end or low-end of the proposed [REDACTED] Price, the Directors intend to adjust the allocation of the net proceeds to the usage in the proportions stated above.

If the [REDACTED] is exercised, the net proceeds from the [REDACTED] will increase to approximately HK\$[REDACTED] million assuming that the [REDACTED] Price is determined at the mid-point of the indicative range of the [REDACTED] Price. The Directors intend to adjust the allocation of the net proceeds to the usage in the proportions stated above.

To the extent that the net proceeds from the [REDACTED] are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds be placed in short-term interest bearing deposit accounts held with authorised financial institutions.

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DIVIDENDS

During the year ended 31 December 2014, an interim dividend of HK\$5.1 million was recognised as distribution by Lap Kei to its then shareholders. During the three-month period ended 31 March 2015, an interim dividend of approximately HK\$22.0 million was recognised as distribution by Lap Kei to its then shareholders, in which HK\$10.0 million were settled through the current account with a Director. No dividend was paid or proposed during the year ended 31 December 2013. The Company currently does not have a fixed dividend policy and may declare dividends by way of cash or by other means that the Directors consider appropriate. A decision to declare any interim dividend or recommend any final dividend would require the approval of the Board and depend upon the factors stated in the section headed “Financial information — Dividend policy” in this document.

RECENT DEVELOPMENT SUBSEQUENT TO 31 MARCH 2015

As at 31 March 2015, the Group had 19 building services engineering projects (excluding variation orders) and 32 maintenance projects in progress. Subsequent to the Track Record Period and up to the Latest Practicable Date, three new building services engineering projects and four new maintenance projects were commenced or to be commenced, and 8 projects were completed during the period from 1 April 2015 to Latest Practicable Date, resulting in 22 building services engineering projects and 28 maintenance projects in progress. The Directors estimate that the total revenue to be recognised after the Latest Practicable Date from such projects altogether (i.e. those with contract sum confirmed as at 31 March 2015 and those that were commenced or to be commenced subsequent to the Track Record Period and up to the Latest Practicable Date) would be approximately HK\$[REDACTED] million.

Save as the Listing expenses, the Group did not have any significant non-current items in its combined statements of profit or loss and other comprehensive income subsequent to the Track Record Period.

The net current assets of the Group as at 30 April 2015 were approximately HK\$35.8 million. The outstanding balance of all amounts due from a director and due to a related party will be settled before the [REDACTED]. As at 30 April 2015, approximately 15.7% of the outstanding trade receivables as at 31 March 2015 has been subsequently settled and approximately 48.4% of the outstanding payables as at 31 March 2015 has been subsequently settled.

NO MATERIAL ADVERSE CHANGE

Save the Listing expenses, the Directors confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of the Group since 31 March 2015 (being the date to which the latest audited combined financial statements of the Group were prepared), and there is no event since 31 March 2015 which would materially affect the information shown in the accountants’ report set out in Appendix I to this document.

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[REDACTED] STATISTICS

	Based on the [REDACTED] Price of HK\$[REDACTED] per Share	Based on the [REDACTED] Price of HK\$[REDACTED] per Share
Market capitalisation of the Shares (<i>note 1</i>)	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted combined net tangible assets of the Group per Share (<i>note 2</i>)	[REDACTED]	[REDACTED]

Notes:

1. The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] without taking into account the Shares that may be allotted or issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme.
2. The unaudited pro forma adjusted net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed “(A) Unaudited pro forma statement of adjusted combined net tangible assets of the Group” in Appendix II to this document and on the basis of [REDACTED] Shares in issue at the respective [REDACTED] Prices of between HK\$[REDACTED] and HK\$[REDACTED] per Share immediately following completion of the [REDACTED] and the [REDACTED] without taking into account the Shares that may be allotted or issued pursuant to the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme.