
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Placing Shares.

There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the Placing Shares are set out in the section headed “Risk factors”. You should read that particular section carefully before you decide to invest in the Placing Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary” of this prospectus.

OVERVIEW

We are an established main contractor in Hong Kong focusing on providing (i) building construction services; and (ii) repair, maintenance, alteration and addition (“**RMAA**”) works services. During the Track Record Period, a majority of our revenue was derived from our building construction projects.

Our Group is listed as a Group C (confirmed) contractor under the Contractor List maintained by the WBDB in the “Building” category. Group C (confirmed) contractors are the highest ranking contractors in the Contractor List in terms of tender limit, and are eligible to tender for public works contracts of any values exceeding HK\$185.0 million.

In addition, we are one of the 29 contractors under the “Repair and Restoration of Historic Buildings” category of the Specialist List and is allowed to carry out works in relation to repair and restoration of Western-style historic buildings in Hong Kong. We acted as the main contractor and completed the project with a contract value of approximately HK\$354.1 million in relation to the conservation and revitalisation of the Former Police Married Quarters by transforming it into the currently-known PMQ, a creative landmark on Hollywood Road, Hong Kong (the “**PMQ Project**”). For the years ended 31 March 2014 and 2015, revenue derived from the PMQ Project accounted for approximately 83.4% and 20.9% of the total revenue respectively.

OUR BUSINESS MODEL

We act as the main contractor in all our projects during the Track Record Period and delegate works to our sub-contractors by trade on a back to back basis under supervision of and management by our project team. Upon the award of project by our customer, we generally classify the entire construction works to be performed into different categories depending on the trades concerned and level of expertise required, and engage suitable sub-contractors from our approved list of sub-contractors to perform each part of the classified construction works. Our role as a main contractor generally includes overall project management and supervision of works conducted by our sub-contractors to ensure their conformity to contractual specification and that projects are completed on time and within budget.

SUMMARY

We normally secure our projects through tendering. We usually identify Government projects through reviewing the tender invitations from various Government departments published on the Gazette. As for projects from non-Government customers, we are generally invited by the customers by way of invitation letters to submit a tender for a potential project. During the Track Record Period, all our projects were obtained through tendering. Nevertheless, we believe that, in the future, it is possible that our Group may be invited by customers to simply provide quotations without going through tendering process for projects which are less complex in terms of the sub-contractors involved and the time, scale and resources required, such as RMAA projects.

The following table sets out the number of projects we tendered, number of successful projects tendered and our success rate during the Track Record Period and up to the Latest Practicable Date:

	<u>For the year ended 31 March</u>		From
			1 April 2015 up to
	<u>2014</u>	<u>2015</u>	the Latest
			Practicable Date
Number of projects tendered	143	161	52
Number of successful projects tendered	19	13	5*
Success rate (%)	13.3%	8.1%	9.6%

* For the period from 1 April 2015 up to the Latest Practicable Date, our Group has tendered 52 projects, of which five tenders have been awarded and three tenders have been rejected by the relevant customers, while the results of the remaining 44 tenders were still pending.

Please refer to the section headed “Business — Operations — Operational Procedures — Preparation and submission of tender — Tenders submitted during the Track Record Period” in this prospectus for further information.

For the years ended 31 March 2014 and 2015, revenue derived from Government departments amounted to approximately 88.1% and 22.3% of our total revenue. Upon having awarded a project by our customer, we will form a project management team, engage various sub-contractors, obtain necessary permits and approvals, procure the requisite materials and machineries and take out necessary insurances.

Major license and qualifications

As at the Latest Practicable Date, our Group has obtained the registered general building contractor license and certain qualifications that are material to our business operations in Hong Kong. Such qualifications include (i) Group C (confirmed) Approved Contractor for Public Works — Buildings Category; (ii) Approved Suppliers of Materials and Specialist Contractors for Public Works — Repair and Restoration of Historic Building Category (for “Western Style Buildings only”); (iii) Housing Authority List of Building Contractor — Building (New Works) Category; and (iv) Housing Authority List of Building Contractors — Maintenance Works Category. For further details of our major licenses and qualifications, please refer to the section headed “Business — License and Qualifications” in this prospectus.

SUMMARY

CUSTOMERS AND SUB-CONTRACTORS

Customers

We provide building construction and RMAA works services to customers from both the public and private sectors in Hong Kong^(Note 1). During the Track Record Period, our business opportunities generally arose from reviewing the tender invitations from various Government published on the Gazette or receiving invitation for tender from customers in the private sector.

Our major customers include the Government, quasi-Government organisations, universities, schools, institutions and incorporated owners of private buildings. For the years ended 31 March 2014 and 2015, revenue derived from our Group's top five largest customers amounted to approximately HK\$165.7 million and HK\$199.0 million, representing approximately 96.2% and 96.1% of our total revenue. In addition, a significant portion of our revenue was derived from the Government and quasi-Government organisations*, which accounted for approximately 90.8% and 74.0% of our total revenue for the years ended 31 March 2014 and 2015 respectively. Despite such customer concentration, our Directors consider that we are not reliant on any single customer for reasons set out in the section headed "Business — Customers — Customer Concentration" in this prospectus.

The table below sets forth a breakdown of our revenue, gross profit and gross profit margin by business segment during the Track Record Period:

	For the year ended 31 March									
	2014					2015				
	Revenue		Gross profit		Gross profit margin	Revenue		Gross profit		Gross profit margin
	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	HK\$'000	%	%
Building construction <i>(Note 2)</i>	143,540	83.3	24,171	99.7	16.8	134,281	64.9	16,197	53.8	12.1
RMAA works <i>(Note 2)</i>	28,681	16.7	80	0.3	0.3	72,750	35.1	13,881	46.2	19.1
Total	172,221	100.0	24,251	100.0	14.1	207,031	100.0	30,078	100.0	14.5

Note:

- The building construction works we normally deal with are structural and engineering works which include building, piling, demolition and site formation. The RMAA works we normally deal with include: changes in facilities configuration; fabrication, modification, removal or installation of hardware and equipment' erection, relocation or removal of doors, windows and partitions; changes in type of finishes and flooring materials; restoration, upgrade or otherwise improve the general condition of facilities; and general upkeep of existing facilities, facility components, grounds and utility systems.

* For the purpose of this prospectus, quasi-Government organisations include (i) a statutory body in Hong Kong with focus on managing all the public hospitals and institutes; (ii) a statutory body in Hong Kong with focus on housing development; and (iii) a statutory body in Hong Kong for promoting safety and health at work and sustaining the workforce.

SUMMARY

Note:

2. For each of the year ended 31 March 2014 and 2015, revenue was recognised from both building construction and RMAA parts of our PMQ Project. The relevant amount from each segment of works under the PMQ Project during the particular financial year was calculated separately in accordance with the classification in the table above.

For the years ended 31 March 2014 and 2015, revenue attributable to the PMQ Project amounted to approximately HK\$143.6 million and HK\$43.3 million, representing approximately 83.4% and 20.9% of our total revenue respectively. The gross profits of the PMQ Project for the years ended 31 March 2014 and 2015 amounted to approximately HK\$23.6 million and HK\$10.5 million respectively, representing the gross profit margins of approximately 16.4% and 24.2%. Given its size and complexity and the scheduled completion date in December 2013, our Group had devoted more human and financial resources to the PMQ Project for the relevant construction period. The project management team of the PMQ Project comprised 27 employees of our Group. For such reason, coupled with our business strategy in developing our RMAA business as detailed below, we generally targeted to tender and complete projects of smaller size in the year ended 31 March 2014. The PMQ Project was a one-off project that was non-recurring in nature and had been substantially completed in December 2013. Revenue was recognised from the PMQ Project after its substantial completion mainly because, subsequent to the substantial completion, (i) the exact quantity of works finally executed under the contract was re-measured by the architect of the relevant customer to evaluate and adjust the final value of works completed; and (ii) the rates for the works under certain variation orders were determined between the parties, and values of such variation and/or additional works were certified according to the determined rates.

Our Directors are of the view that, during the Track Record Period, the total number of invitations to tender for Government and quasi-Government construction had decreased and that such decrease was caused by, among other thing, the filibuster in the Legislative Council of Hong Kong which affected the operations of various Government and quasi-Government organisations causing certain projects which could have been available for tender were put on hold. Since our building construction projects were primarily awarded by various Government and quasi-Government organisations, revenue from our building construction segment decreased from approximately HK\$143.5 million in the year ended 31 March 2014 to approximately HK\$134.3 million in the year ended 31 March 2015. Nonetheless, our overall revenue increased by approximately 20.2% during the same period as a result of our expansion in the RMAA segment, the customers of which were generally from the private sector. Our Directors believe that, in light of the discernible decline of the filibuster in the Legislative Council of Hong Kong, the number of invitations to tender for Government and quasi-Government construction projects may increase in the coming future. According to WBDB, it is estimated that there will be 14 invitations to tender to be issued Architectural Services Department projects during July 2015 to December 2015, of which eight of such invitations will only be provided to Group C (confirmed) contractors under the Contractor List. As a result of the aforementioned increased supply in Government construction projects, our Directors are confident that our Group will be able to secure sizeable building construction projects going forward, despite the short term impact of the filibuster incidents on the industry from the past.

SUMMARY

The table below sets forth a breakdown of our revenue, gross profit and gross profit margin by source of projects during the Track Record Period.

	For the year ended 31 March									
	2014					2015				
	Revenue		Gross profit		Gross profit margin	Revenue		Gross profit		Gross profit margin
	HK\$'000	%	HK\$'000	%	%	HK\$'000	%	HK\$'000	%	%
Government departments and quasi-Government organisations	161,185	93.6	25,219	104.0	15.6	154,052	74.4	24,539	81.6	15.9
Private customers (including but not limited to universities, schools, incorporated owners of private buildings and other private customers)	11,036	6.4	(968)	(4.0)	(8.8)	52,979	25.6	5,539	18.4	10.5
Total	172,221	100.0	24,251	100.0	14.1	207,031	100.0	30,078	100.0	14.5

We generally enjoy higher gross profit margin from our Government and quasi-Government projects as compared to our private projects. Gross profit margin of our Government and quasi-Government projects remained relatively stable at approximately 15.6% and 15.9% for the years ended 31 March 2014 and 2015 respectively, mainly because the decrease in gross profit of our Government and quasi-Government building projects were largely offset by the increase in gross profit of our Government and quasi-Government RMAA projects. We recorded gross loss margin of 8.8% and gross profit margin of 10.5% respectively for the same period for our private projects. The gross loss for the year ended 31 March 2014 for our private projects was primarily attributable to the loss of approximately HK\$1.0 million incurred by our Group in a private RMAA project that had practically completed before the Track Record Period. Loss in such contact occasioned since our Group was in dispute with one of our sub-contractors under the RMAA project regarding the works performed by such sub-contractor. The loss of approximately HK\$1.0 million for private projects in 2014 comprise damages of approximately HK\$367,000 being awarded against our Group and legal fees of approximately HK\$771,000 incurred by our Group in regards of the litigation involved. The gross profit for our private projects increased to approximately HK\$5.5 million and our gross profit margin for our private customers increased to approximately 10.5% for the year ended 31 March 2015. Since our RMAA projects constitute a large portion of our private projects, the increase in gross profit and gross profit margin in our private projects was in line with the increase in gross profit and gross profit margin in our RMAA projects.

SUMMARY

Sub-contractors

For the purpose of maximising our cost efficiency and utilising expertise of other specialist contractors, we generally sub-contract the works to our sub-contractors by trade on a back to back basis. During the Track Record Period, works that we delegated to our sub-contractors include demolition, hoarding, concreting, painting, redecoration and roofing. For the years ended 31 March 2014 and 2015, our Group engaged 33 and 40 sub-contractors respectively, all of whom were located in Hong Kong. During the years ended 31 March 2014 and 2015, total sub-contracting fees paid by our Group accounted for approximately HK\$99.3 million and HK\$123.8 million respectively, representing approximately 67.1% and 70.0% of our Group's total direct costs. For the two years ended 31 March 2014 and 2015, our Group's top five largest sub-contractors accounted for approximately 41.2% and 38.1% of our Group's total direct costs respectively.

ACCIDENT

For the years ended 31 March 2014 and 2015 and up to the Latest Practicable Date, our Group has recorded one, one and nil "reportable accidents" involving injuries to workers who were either employed by our Group or by our sub-contractors, representing an accident rate per 1,000 workers of 0.2, 0.4 and 0.0 accident respectively, which were lower than the industry average of 38.7 accident in the calendar year 2014 according to the Ipsos Report. Our Group's lost time injury frequency rate was approximately 0.12, 0.17 and 0.37 per million of working hours for the years ended 31 March 2014 and 2015 and from 1 April 2015 up to the Latest Practicable Date, respectively. Having considered the above and that none of the accidents has resulted in fatal injury, our Directors are of the view that our occupational health and safety management system is effective.

COMPETITIVE STRENGTHS

Our Directors believe our competitive strengths include (i) having a strong and reliable customer base comprising primarily Government departments (including the Architectural Services Department and the Housing Authority) and quasi-Government organisations; (ii) having solid track record in conserving and revitalising Hong Kong heritage, as proven by the completion of the PMQ Project; (iii) having extensive experience and diversified qualifications in the construction industry; (iv) our commitment in maintaining safety standard, quality control and environmental protection; and (v) having a management team that possesses extensive experience and qualifications. For further details of our competitive strengths, please refer to the section headed "Business — Competitive Strengths" in this prospectus.

SUMMARY

SUMMARY OF KEY FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as at and for the years ended 31 March 2014 and 2015, as applicable.

	Year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Revenue	172,221	207,031
Gross profit	24,251	30,078
Profit before taxation	14,849	21,312
Profit and total comprehensive income for the year attributable to the owners of the Company	12,346	17,796
	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Non-current assets	1,137	1,604
Current assets	85,342	125,265
Current liabilities	42,412	71,112
Net current assets	42,930	54,153
Total assets less current liabilities	44,067	55,757
Non-current liabilities	281	375
Net assets	43,786	55,382
	Year ended 31 March	
	2014	2015
	HK\$'000	HK\$'000
Net cash from operating activities	14,677	28,441
Net cash (used in) from investing activities	(11,343)	231
Net cash used in financing activities	(23,086)	(7,996)
Net (decrease) increase in cash and cash equivalents	(19,752)	20,676
Cash and cash equivalents at beginning of the year	54,674	34,922
Cash and cash equivalents at the end of the year	34,922	55,598

For further details and analysis of our financial information, please refer to the section headed “Financial Information” in this prospectus.

SUMMARY

Selected key financial ratios

	For the year ended 31 March/ As at 31 March	
	2014	2015
Gross profit margin	14.1%	14.5%
Net profit margin	7.2%	8.6%
Gearing ratio	4.0%	1.7%
Current ratio	2.0x	1.8x
Return on equity	30.7%	35.9%
Return on assets	13.0%	16.7%

The increase in gross profit margin and net profit margin from 2014 to 2015 was primarily attributable to our strategic change in pricing policy for our RMAA business with a view of optimising our profit margin. The decrease in gearing ratio was attributable to the decrease in bank borrowings from approximately HK\$1.1 million as at 31 March 2014 to HK\$nil million as at 31 March 2015. The decrease in current ratio was mainly attributable to the increase in other payables and accrued charges by approximately HK\$39.8 million. The increase in return on equity and return on assets was mainly attributable to the increase in our net profit from approximately HK\$12.3 million for the year ended 31 March 2014 to approximately HK\$17.8 million for the year ended 31 March 2015.

NON-COMPLIANCE

We have been involved in a non-compliance matter in relation to non-compliance with certain conditions and terms of Government leases and occupation permits with respect to prescribed land use regarding our leased property in Lai Chi Kok, Hong Kong. Please refer to the section headed “Business — Legal Compliance — Non-compliance of our Group” in this prospectus for details of such non-compliance matter and the rectification measures taken.

LISTING EXPENSES

Our financial performance for the year ending 31 March 2016 will be affected by the non-recurring expenses incurred in relation to the Listing. The Listing expenses are estimated to be approximately HK\$17.1 million (assuming the Offer Size Adjustment Options are not exercised and assuming the Placing Price of HK\$0.35 per Placing Share, being the midpoint of the indicative Placing Price range of HK\$0.3 to HK\$0.4 per Placing Share), of which (i) approximately HK\$4.8 million is directly attributable to the issue of Placing Shares which is to be accounted for as a deduction from equity; (ii) approximately HK\$11.4 million is to be charged to profit or loss of our Group for the year ending 31 March 2016; and (iii) approximately HK\$0.9 million is to be borne by our Selling Shareholder. Such cost is a current estimate and for reference only. The final amount to be recognised to the profit or loss of our Group or to be capitalised is subject to adjustment based on audit and the changes in variables and assumptions. No listing expense was incurred during the Track Record Period as the preparation of Listing had not yet begun. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2016 would be significantly affected by the estimated Listing expenses mentioned above.

SUMMARY

BACKLOG

As at 31 March 2014 and 2015, we had a total of 4 and 2 major projects (i.e. projects of contract value exceeding HK\$1.0 million) in our backlog (representing projects that had commenced but not completed at the respective dates) respectively, with revenue derived or estimated to be derived from such projects as follows:

	As at 31 March	
	2014	2015
Number of major projects in our backlog	4	2
Total revenue attributable to such projects	HK'000	HK'000
— recognised on or before the date indicated	147,987	135,645
— recognised or estimated to be recognised in the first financial year subsequent to the date indicated	53,011	30,398
— recognised or estimated to be recognised in the second financial year subsequent to the date indicated	7,368	—
— estimated to be recognised in the third financial year subsequent to the date indicated	—	—
	<u>208,366</u>	<u>166,043</u>

As at the Latest Practicable Date, we had 9 major projects (i.e. projects of contract value exceeding HK\$1.0 million) in our backlog. Revenue of approximately HK\$170.6 million, HK\$89.3 million and HK\$21.2 million is estimated to be recognised in each of the year ended 31 March 2016, 2017 and 2018 respectively.

The completion dates or expected completion dates of the major projects in our backlog are as follows:

	As at 31 March		As at the Latest Practicable Date
	2014	2015	
Number of major projects in our backlog which were completed or expected to be completed			
— up to the Latest Practicable Date*	4	1	—
— Latest Practicable Date to 31 March 2016 [^]	—	1	4
— on or after 1 April 2016 [^]	—	—	5
	<u>4</u>	<u>2</u>	<u>9</u>

* denotes actual completion dates

[^] denotes expected completion dates

SUMMARY

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of provision of building construction and RMAA services in Hong Kong, with one building construction project of contract value of approximately HK\$123.0 million and eight RMAA projects of aggregate contract value of approximately HK\$158.1 million in our backlog. The aggregate contract value of all such building construction and RMAA projects amounted to approximately HK\$281.1 million, of which approximately HK\$24.3 million, representing approximately 8.6% of the total contract value, has been recognised during the Track Record Period and up to 31 July 2015 (being the latest date to which our management account was made up). As at the Latest Practicable Date, out of the nine projects in progress, four projects were expected to be completed by 31 March 2016 and five projects were expected to be completed thereafter. As at the Latest Practicable Date, approximately 83.2% of the total contract value for contracts in progress was from private customers which, based on our operation history during the Track Record Period, were expected to have relatively lower gross profit margin as compared to Government and quasi-Government projects. Please refer to the section headed “Business — Business Model” for further details of our projects in progress as at the Latest Practicable Date.

Our business model and cost structure remained unchanged since 31 March 2015. We believe that revenue contribution from the RMAA Segment have continued to increase since 31 March 2015. Our projects on hand continued to contribute revenue subsequent to the Track Record Period and our Directors do not note any material interruption of progress works, material delay or any other exceptional situation for such existing contracts. Based on our unaudited management accounts, in line with the increase in total number of projects in progress during the four months ended 31 July 2015 as compared to the four months ended 31 July 2014, we recorded an increase in our revenue and gross profit for the four months ended 31 July 2015 as compared to the four months ended 31 July 2014, mainly because most of the projects in progress during the four months ended 31 July 2014 were at their late stages with substantial portion of related works already completed before the four months ended 31 July 2014. Therefore less revenue was recognised from these projects. Contrary to the four months ended 31 July 2014, the projects in progress during the four months ended 31 July 2015 were generally at their earlier stages with larger portion of related work completed and certified during the same period, which led to higher amount of revenue recognised.

We have declared and settled special dividends of HK\$33.5 million in April 2015 and declared and paid HK\$1,480,000 in July 2015 respectively out of historical profits of our Company to Mr. Lam. Please refer to the section headed “Financial Information — Dividend Policy and Distributable Reserves” in this prospectus for further details of our dividend policy.

Save as the Listing expenses, our Group did not have any significant non-recurrent items in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period. Our results of operation for the year ending 31 March 2016 are expected to be significantly affected by (i) the non-recurring Listing expenses as discussed in the paragraph headed “Listing Expenses” below in this section; and (ii) the non-recurring expenditure to be incurred in respect of the feasibility study for setting up the “Design and Build” section.

SUMMARY

The net current assets of our Group as at 31 July 2015 were approximately HK\$19.4 million. Subsequently, the outstanding balance of all amounts due from a related company was settled in full by setting off against the interim dividend of HK\$33.5 million declared by our Group in April 2015. As at the Latest Practicable Date, approximately 95.6% of the trade receivables as at 31 March 2015 had been subsequently settled, and all of the trade payables as at 31 March 2015 had been subsequently settled.

CONTROLLING SHAREHOLDERS

For the purpose of the GEM Listing Rules, Mr. Lam and Cheers Mate are our Controlling Shareholders. Cheers Mate is an investment holding company owned as to 100% by Mr. Lam, our chairman and executive Director, and, as at the Latest Practicable Date, it had not commenced any substantial business activities. In order to avoid any potential competition between the Company and the Controlling Shareholders, the Controlling Shareholders have entered into the Deed of Non-competition with the Company and have undertaken that neither they nor any of their associates would engage in any business that competes directly or indirectly or may compete with the core business activity of any member of our Group. For further details of our Controlling Shareholders and the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

Mr. Lam is interested in certain continuing connected transactions, particulars of which are set out in the paragraph headed “Connected Transactions — Exempt Continuing Connected Transactions” in this prospectus.

PLACING STATISTICS ^(Note 3)

Placing size:	25% of the enlarged issued share capital of the Company
Placing structure:	200,000,000 Placing Shares (comprising 170,000,000 New Shares to be offered by our Company for subscription and 30,000,000 Sale Shares to be offered by our Selling Shareholder for sale)
Offer Size Adjustment Option ^(Note 4) :	Up to 15% of the Placing Shares initially available under the Placing
Placing Price:	HK\$0.3 to HK\$0.4 per Placing Share

	Based on a Placing Price of HK\$0.3 per Share	Based on a Placing Price of HK\$0.4 per Share
Market capitalisation of our Shares ^(Note 5)	HK\$240 million	HK\$320 million
Unaudited pro forma adjusted net tangible asset value per Share ^(Note 6,7)	HK\$0.11	HK\$0.13

SUMMARY

Notes:

3. All statistics in this table are on the assumption that the Offer Size Adjustment Option is not exercised.
4. In connection with the Placing, our Company granted to the Joint Global Coordinators (for themselves and on behalf of the Joint Underwriters) the Offer Size Adjustment Option to cover over-allocations under the Placing (if any). Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue, at the final Placing Price, up to an aggregate of 30,000,000 additional new Shares, representing 15% of the Placing Shares initially available under the Placing. Please refer to the section headed “Structure and Conditions of the Placing — Offer Size Adjustment Option” for further details.
5. The calculation of our market capitalisation is based on the assumption that 800,000,000 Shares will be issued immediately upon completion of the Placing and the Capitalisation Issue.
6. The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information” in Appendix II of this prospectus and on the basis of a total of 800,000,000 Shares in issue immediately after the completion of the Capitalisation Issue and the Placing.
7. Assuming that the dividends of HK\$33.5 million declared and settled in April 2015 and approximately HK\$1.5 million declared and paid in July 2015 had been taken into account, the unaudited pro forma adjusted combined net tangible assets value per Share would have been HK\$0.07 and HK\$0.09 at the Placing Price of HK\$0.3 and Placing Price of HK\$0.4 respectively, which is calculated based on 800,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and Placing.

BUSINESS STRATEGY, FUTURE PLANS AND USE OF PROCEEDS

Our Group intends to strengthen our market position in Hong Kong by way of (i) continuing to strengthen our market position in the construction industry and expand our market share in Hong Kong; (ii) expanding our building construction service capacity to cover “design and build” projects; (iii) continuing to improve our operational efficiency and enhance our quality of service; (iv) further strengthening our manpower; and (v) continuing to adhere to prudent financial management to ensure sustainable growth and capital efficiency. For “design and build” projects, apart from the normal construction works that our Group is normally required to carry out under our building construction projects, we are required to prepare the construction design in accordance with the specifications set out in the tender documents or make appropriate adjustments to the design proposal provided by our customers. Our Directors believe that save for the additional staff to be employed such as designers and engineers with the relevant expertise in formulating construction designs, the introduction of “design and build” services will not materially affect our business model and operation procedures going forward. For further details of our business strategies, please refer to the section headed “Business — Business Strategies” in this prospectus.

Our Group has been actively expanding our RMAA business since 2013 in order to broaden our customer base and capture the increasing demand for RMAA services in Hong Kong. According to the Ipsos Report, the RMAA services contracting industry is fragmented, with the top five players contributing approximately 8.2% of the total revenue of the relevant market in Hong Kong in 2014. We adopted a competitive cost-plus pricing model in setting our tender price and generally tendered for less complex RMAA projects with smaller contract sum which led to the lower gross profit and gross profit margin from our RMAA business in the year ended 31 March 2014. Leveraging the award of our qualification in the “Repair and Restoration of Historic Buildings” category under the Specialist List in 2013 and our proven capability in providing quality RMAA

SUMMARY

services, we adjusted our pricing and tendering approach in the year ended 31 March 2015 by tendering for larger scale RMAA contracts and setting tender prices that allow us to attain a higher gross profit margin. The gross profit margin of our RMAA business rocketed from approximately 0.3% to 19.1% during the same period. In addition, the average revenue recognised per major RMAA contract increased from approximately HK\$2.8 million to approximately HK\$7.8 million during the Track Record Period. As a result of our expansion in the RMAA segment, there was a change in our project mix during the Track Record Period with the revenue contribution of our RMAA business increased from approximately 16.7% in the year ended 31 March 2014 to approximately 35.1% in the year ended 31 March 2015, while the revenue contribution of our building construction business decreased from approximately 83.3% to approximately 64.9% during the same period.

We intend to maintain our current business strategy for RMAA projects in the near future by targeting larger scale RMAA projects and setting tender prices that allow us to maintain higher gross profit margin. Nevertheless, we may also take up RMAA projects with lower gross profit margin in order to further strengthen our market position in the RMAA industry in Hong Kong.

In respect of our building construction services, it is not uncommon for a single project to have a relatively large contract value and long construction time, especially when our Group is a Group C (confirmed) contractor under the Contractor List of the WBDB and in general can only tender for public works contracts of contract values exceeding HK\$185.0 million but not any public works contracts of value below HK\$185.0 million. In order to better manage our projects in progress and cash-flow status, it is our strategy to maintain a small number of building construction projects that are simultaneously in progress. Going forward, our Group shall continue to keep track of the tenders in both business segments. The number of construction projects that can be executed by our Group simultaneously is dependent on the availability of our resources. In deciding whether or not to bid for a specific tender, our Group would take into consideration several principal factors, including but not limited to, the profitability of the project, complexity and technicality involved, our capacity during the contract period and availability of suitable sub-contractors and workers.

The net proceeds to be received by our Group from the Placing based on the Placing Price of HK\$0.35 per Placing Share (being the mid-point of the indicated Placing Price range), after deducting the underwriting fees and estimated expenses payable in relation to the Placing, are estimated to be approximately HK\$43.2 million (assuming the Offer Size Adjustment Option is not exercised and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Our Directors presently intend to apply the net proceeds from the Placing as to (a) 70% of the net proceeds, or approximately HK\$30.3 million, for further developing our building construction and RMAA business; (b) 6% of the net proceeds, or approximately HK\$2.6 million, for further strengthening our manpower; (c) 7% of the net proceeds, or approximately HK\$3.0 million, for investing in BIM software and providing required staff training; (d) 7% of the net proceeds, or approximately

SUMMARY

HK\$3.0 million, for developing “design and build” services; and (e) 10% of the net proceeds, or approximately HK\$4.3 million, for general working capital purpose. For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We estimate that the net proceeds to the Selling Shareholder from the Sale Shares (after deduction of proportional underwriting fees and estimated expenses payable by our Selling Shareholder in relation to the Placing, and assuming an offer price HK\$0.35 per Placing Share, being the mid-point of the indicative Placing Price range) will be approximately HK\$9.6 million. Our Company will not receive any of the proceeds from the sale of the Sale Shares.

DIVIDEND POLICY

For the years ended 31 March 2014 and 2015, Techoy Construction declared and paid dividends of approximately HK\$5.0 million and HK\$9.0 million, respectively to Mr. Lam. Techoy Construction has also declared special dividend of HK\$33.5 million in April 2015, which was used to set off against the amounts due from a related company, and declared and paid special dividend of HK\$1,480,000 to Mr. Lam in July 2015.

After completion of the Placing, while we currently have no plans to pay dividends to our Shareholders in the foreseeable future, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend would require the approval of our Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or pay any dividend in the future and the amount of any dividends depends on a number of factors, including but not limited to our results of operations, financial condition, working capital, capital requirements and other factors our Board may deem relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

We will re-evaluate our dividend policy annually. Our Board has the absolute discretion to decide whether to declare or distribute dividends in any year. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed “Listing Expenses” and “Recent Development” in this section and the one-off special dividends of HK\$33.5 million declared and settled in April 2015 and of HK\$1,480,000 declared and paid in July 2015, our Directors confirmed that since 31 March 2015 and up to the prospectus date, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates that materially and adversely affect our financial and operating position; (ii) there was no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I in this prospectus.

SUMMARY

RISK FACTORS

There are certain risks relating to our operations which could also harm our business, financial condition and operating results. In particular, (i) the PMQ Project accounted for approximately 83.4% and 20.9% of our total revenue during the years ended 31 March 2014 and 2015 and there is no assurance that we will be able to enter into projects which generate similar level of revenue in the future; (ii) our cash flows may fluctuate due to the payment practice applied to our projects; (iii) our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money would be fully released to us after the expiry of the maintenance period; (iv) we rely on a limited number of major customers; (v) our Group determines the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved, and inaccurate estimation may adversely affect our financial results; and (vi) since our business is project-based, the fee collection and our profit margin would depend on the terms of the work contract and may not be regular. A detailed discussion of the risk factors is set forth in the section headed “Risk Factors” in this prospectus.