

## SUMMARY

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

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

## BUSINESS OVERVIEW

The Group is principally engaged in (i) the provision of structural engineering works with a focus on design and build projects in Hong Kong; and (ii) trading of building material products predominately in Hong Kong.

During the Track Record Period, the Group’s revenue is mainly derived from the structural engineering works while the remaining were generated from trading of building material products. The following table sets out a breakdown of the Group’s revenue during the Track Record Period by business segments:

	For the year ended 31 March			
	2014		2015	
	HK\$’000	%	HK\$’000	%
Structural engineering works	199,542	97.2	183,913	93.2
Trading of building material products	5,743	2.8	13,522	6.8
	<u>205,285</u>	<u>100.0</u>	<u>197,435</u>	<u>100.0</u>

During the Track Record Period, the majority of the Group’s revenue was derived in Hong Kong. The following table sets out a breakdown of the Group’s revenue during the Track Record Period by geographical locations:

	For the year ended 31 March			
	2014		2015	
	HK\$’000	%	HK\$’000	%
Hong Kong	204,640	99.7	196,530	99.5
Others ( <i>Note</i> )	645	0.3	905	0.5
	<u>205,285</u>	<u>100.0</u>	<u>197,435</u>	<u>100.0</u>

*Note:* Others denote the Group’s revenue derived from trading of building material products to locations other than Hong Kong such as the PRC, Macau, Singapore and the United Kingdom.

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### (i) Structural engineering works

Structural engineering is concerned with the analysis, design and construction of a structure. The structural engineering works undertaken by the Group mainly include developing structural designs, calculation and drawings, procurement of materials, monitoring of works, supervision and management of subcontractors and after-sales services. During the Track Record Period, the Group was mainly engaged in design and build projects in Hong Kong as a subcontractor. The design and build projects undertaken by the Group can be broadly divided into three categories: (i) facade, roof and related works; (ii) structural steelwork and noise barriers; and (iii) flagpoles and related works. KPa Engineering, a member of the Group, is an approved specialist contractor in the category of structural steelwork and an approved supplier of materials in the category of transparent panels for noise barriers on highways with the Development Bureau. It is also a registered minor works contractor with the Buildings Department. The Group provides structural engineering works in design and build projects to both the private sector and public sector. The Group classifies public sector contracts as contracts in which the ultimate employer is a government department or statutory body. During the Track Record Period, the Group generated approximately 61.1% and 33.5% of its revenue from design and build projects in the private sector, respectively, with the remaining revenue of approximately 38.9% and 66.5% from design and build projects in the public sector, respectively.

The duration of the Group’s design and build projects completed during the Track Record Period varied from less than one month to approximately 54 months, depending on the size of the contract and the complexity of the works undertaken. For each year of the Track Record Period, the Group undertook 204 and 298 design and build projects, contributing approximately HK\$199.5 million and HK\$183.9 million to the Group’s revenue respectively. Set out below is a breakdown of the Group’s revenue attributable to the design and build projects during the Track Record Period by categories:

	For the year ended 31 March			
	2014		2015	
	<i>HK\$’000</i>	%	<i>HK\$’000</i>	%
Facade, roof and related works	169,928	85.1	144,736	78.7
Structural steelwork and noise barriers	27,863	14.0	33,273	18.1
Flagpoles and related works	1,751	0.9	5,904	3.2
	199,542	100.0	183,913	100.0

*Note:* A design and build project may cover works in one or more of the above work categories. The classification depends on the nature of works the Group principally undertakes in such project, and major revenue contributing in the project.

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Set out below is the breakdown of the Group’s design and build projects based on their scales of respective turnover recognised during the Track Record Period:

	For the year ended	
	31 March	
	2014	2015
	<i>Number of projects</i>	<i>Number of projects</i>
<b>Revenue</b>		
HK\$10,000,000 or above	6	3
HK\$5,000,000 to below HK\$10,000,000	4	5
HK\$1,000,000 to below HK\$5,000,000	11	12
Below HK\$1,000,000	183	278
	<u>204</u>	<u>298</u>

As at 31 March 2015, the Group had 102 design and build projects in progress (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced) with an aggregate contract sum of approximately HK\$742.1 million, of which approximately HK\$253.9 million is expected to be recognised as the Group’s revenue for the year ending 31 March 2016.

### (ii) Trading of building material products

The Group is also engaged in trading of building material products mainly through BuildMax (HK), a member of the Group, predominately in Hong Kong. For each of the Track Record Period, the Group’s revenue generated by trading of building materials products were approximately HK\$5.7 million and HK\$13.5 million respectively. The building material products sold by the Group mainly include (i) roof and noise barrier materials; (ii) curtain wall fixing components; and (iii) other auxiliary materials. The Group does not provide installation service to its customers under this trading segment.

As at the Latest Practicable Date, the Group is currently the authorised distributor of six international brands of building material products in Hong Kong, Macau and/or the PRC. Among these six international brand products, four of which the Group has been engaged as the sole distributor of the products in Hong Kong, Macau and/or the PRC exclusively. These international brand products are mainly imported from various countries such as Germany, the United Kingdom and USA. Apart from selling products of third party brands, the Group also sells a small portion of building material products under its own brand names.

### CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

The Group is mainly invited by its customers (mostly main contractors and property occupiers) to submit a tender, or is sometimes invited to provide a quotation, for a potential structural engineering work of design and build project. For each of the two years ended 31 March 2015, the number of tenders or quotations submitted by the Group were 406 and 510, and the success rate of attaining engagement for projects tendered or quoted was approximately 40.9% and 47.1% respectively. The Group’s customers for trading of building material products are mainly main contractors and

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subcontractors in Hong Kong. The Group’s top five customers accounted for approximately 81.0% and 75.7% of the total revenue for each of the two years 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 section headed “Business — Customers — Sustainability of the Group’s business in view of the reliance on major customers” to this [REDACTED].

Besides, the Group’s top five suppliers (excluding subcontractors) accounted for approximately 50.3% and 54.9% of the total purchases for each the two years ended 31 March 2015 respectively. The Group’s top five subcontractors accounted for approximately 50.7% and 66.0% of the total subcontracting charges for each of the two years ended 31 March 2015 respectively.

### COMPETITIVE LANDSCAPE

The facade works industry and the structural steelworks industry in Hong Kong are relatively consolidated markets with major players dominating the industry while the noise barrier works industry in Hong Kong is relatively concentrated with a small number of major players dominating the industry. According to the IPSOS Report, KPa Engineering is one of the top players of the facade and roof works sector in Hong Kong. For the further details of analyses of the Group’s market, please refer to the section headed “Industry overview” to this [REDACTED].

### COMPETITIVE STRENGTHS

The Directors believe that the success of the Group is attributable to, among other things, the following competitive strengths: (i) tailor-made structural designs provided by the in-house experienced design and technical teams of the Group; (ii) one-stop solution provider of services ranging from design, source, implementation and after-sales services; and (iii) quality products and services provided in a cost-effective manner; (iv) well-established business relationship with renowned international building material suppliers; and (v) the Group’s management team possesses extensive experience and technical know-how. Please refer to the paragraph headed “Competitive strengths” under the section headed “Business” to this [REDACTED] for further details.

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### LICENCES AND PERMITS

To facilitate the Group’s design and build projects in Hong Kong, the Group has obtained and held several licences and permits. The following table sets out the details of the Group’s major licences and qualification as at the Latest Practicable Date:

<u>Licences and qualifications</u>	<u>Holder</u>	<u>Issuing authority</u>	<u>Type(s) of works covered</u>	<u>Expiry date</u>
List of Approved Suppliers of Materials and Specialist Contractors for Public Work	KPa Engineering	Development Bureau	Structural steelwork	— (Note 1)
List of Approved Suppliers of Materials and Specialist Contractors for Public Work	KPa Engineering	Development Bureau	Transparent panels for noise barrier in highways	— (Note 1)
Registered Minor Works Contractors (Class II and III)	KPa Engineering	Buildings Department	Minor works include those comparatively lower complexity and risk to safety and common household minor works as set out in the Building (Minor Works) Regulation	18 June 2016
Registered Subcontractor	KPa Engineering	Construction Industry Council	Structural steelwork, marble/granite work, aluminum window/louvers, curtain wall/glass wall, stainless steel work, metal roof/skylight/cladding/space frame, glazier work, false ceiling, and renovation and fitting-out	10 May 2017

*Note:*

1. “—” denotes not subject to any periodic renewal conditions.

### FINANCIAL INFORMATION

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

	<u>For the year ended</u>	
	<u>2014</u>	<u>2015</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	205,285	197,435
Gross profit	28,894	38,733
Profit before income tax	12,229	18,060
Profit and total comprehensive income for the year	10,185	14,559
Profit and total comprehensive income for the year attributable to		
Owners of the Company	9,727	11,921
Non-controlling interests	458	2,638

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

	For the year ended 31 March			
	2014		2015	
	HK\$'000	Gross profit margin (%)	HK\$'000	Gross profit margin (%)
Structural engineering works	26,874	13.5	33,567	18.3
Trading of building material products	2,020	35.2	5,166	38.2
	28,894	14.1	38,733	19.6

The decrease in revenue was mainly attributable to lower number of large size design and build projects with high revenue contribution (over HK\$10 million) in the year ended 31 March 2015 (2015: 3 projects) comparing with the year ended 31 March 2014 (2014: 6 projects) and partly offset by the increasing contribution from trading of building material products. The increase in gross profit and profit for the year was mainly attributable to (i) the increase in number of projects in the below HK\$1 million category which in general yield a higher profit margin because they involved more simple installation and construction process, which is mainly carried out by subcontractors; (ii) the decrease in unallocated project costs and adjustment on costs of projects' profit recognised in prior years; and (iii) the increasing contribution from trading of building material products.

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

	As at 31 March	
	2014	2015
	HK\$'000	HK\$'000
Current assets	92,716	136,444
Current liabilities	(43,554)	(80,077)
Non-current assets	6,431	10,996
Non-current liabilities	(408)	(618)
Total equity	55,185	66,745

The increase in equity of the Group was mainly attributable to the profit for the year ended 31 March 2015 and partly offset by the dividend declared during the year.

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

	<b>For the year ended 31 March</b>	
	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash from/(used in) operating activities	17,187	(8,163)
Net cash used in investing activities	(7,426)	(3,350)
Net cash (used in)/from financing activities	<u>(6,459)</u>	<u>4,798</u>
Net increase/(decrease) in cash and cash equivalents	3,302	(6,715)
Cash and cash equivalents at beginning of year	<u>4,190</u>	<u>7,492</u>
Cash and cash equivalents at end of year	<u><u>7,492</u></u>	<u><u>777</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash at banks and in hand	10,485	5,791
Less: Bank overdrafts	<u>(2,993)</u>	<u>(5,014)</u>
	<u><u>7,492</u></u>	<u><u>777</u></u>

The decrease in cash and cash equivalents was mainly attributable to the net cash used in operating activities (such as increase in amounts due from customers of contract works of approximately HK\$16.7 million and increase in trade and other receivables, deposits and prepayments of approximately HK\$31.6 million) and investing activities (such as increase in pledged bank deposits of approximately HK\$2.4 million and increase in amounts due from directors of approximately HK\$1.1 million) and partly offset by net cash from financing activities (such as net proceeds from bank borrowings of approximately HK\$7.0 million).

### Key financial ratios

	<b>For the year ended as at 31 March</b>	
	<b>2014</b>	<b>2015</b>
Return on total assets	10.3%	9.9%
Return on equity	18.5%	21.8%
Current ratio	2.1	1.7
Quick ratio	2.1	1.7
Gearing ratio	24.4%	34.1%

The decrease in return on total assets from 31 March 2014 to 31 March 2015 was due to the increase in trade receivables and amounts due from customers of contract works as at 31 March 2015. The increase in return on equity was mainly due to the increase in net profit and net profit margin for the year ended 31 March 2015. The decrease in current ratio and quick ratio were mainly attributable to

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the increase in bank borrowings of approximately HK\$9.0 million in the year ended 31 March 2015. The increase in gearing ratio was due to a rise in bank borrowings to provide working capital for design and build projects which billings remained unsettled as at 31 March 2015.

Please refer to the paragraph headed “Key financial ratios” under the section headed “Financial information” to this [REDACTED] for further details.

### HISTORICAL NON-COMPLIANCE INCIDENTS

During the Track Record Period, the Group failed to comply with certain legal requirements applicable to the Group, namely (i) breach of the land use conditions set out in the conditions of grant and the occupation permit of premises owned by the Group and section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) for failure to notify the Buildings Authority regarding the change of land use; (ii) non-compliance with section 111 of the Predecessor Companies Ordinance (corresponding to sections 576, 610 and 612 of the Companies Ordinance) for failure to hold annual general meeting within the prescribed period set out in the said ordinance; and (iii) non-compliance with section 122 of the Predecessor Companies Ordinance (corresponding to sections 431 of the Companies Ordinance) for failure to lay the relevant audited financial statements before the annual general meeting of certain members of the Group within the prescribed period set out in the said ordinance. Please refer to the paragraph headed “Non-compliance” in the section headed “Business” in this [REDACTED] for details of such non-compliance incidents and the respective rectification measures taken.

### SHAREHOLDING OF THE COMPANY

Immediately following completion of the [REDACTED] and the Capitalisation Issue and not taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, the Company will be owned as to (i) [REDACTED]% by Success Wing, which is an investment holding company incorporated in the BVI and directly owned by Mr. Lui as to approximately 29.3%, Mr. Wai as to approximately 29.3%, Mr. Yip as to approximately 29.3%, Mr. Liu as to approximately 9.0% and Mr. Chan as to approximately 3.2%; (ii) [REDACTED]% by Mr. Lui; (iii) [REDACTED]% by Mr. Wai; (iv) [REDACTED]% by Mr. Yip; and (v) [REDACTED]% by public Shareholders. Mr. Yip is an executive Director, chairman of the Board and the compliance officer of the Company. Mr. Wai is an executive Director, the chief executive officer of the Company and a co-founder of the Group. Mr. Lui is an executive Director. Mr. Liu is the general manager of the Group and Mr. Chan is a project manager of the Group. Save as disclosed in the section headed “Relationship with the Controlling Shareholders” in this [REDACTED], each of Mr. Lui, Mr. Wai and Mr. Yip does not, directly or indirectly, carry on, participate or engage in, nor is he otherwise interested in, any other business which is or may be in competition with the business of the Group. Please refer to the section headed “Directors and senior management” to this [REDACTED] for the biographical information of Mr. Lui, Mr. Wai, Mr. Yip, Mr. Liu and Mr. Chan.

### RISK FACTORS

There are certain risks involved in the Group’s operations, many of which are beyond the Group’s control. In particular, the Group relies on its major customers. The relatively material risks encompass (i) The Group’s top five customers accounted for over 75.0% of the Group’s total revenue, failure to retain business relationship with them or secure new business may affect the Group’s operations and financial performance; (ii) changes to the supply and cost of building materials may adversely affect the Group’s operations and profitability; (iii) unsatisfactory performance or unavailability of subcontractors may adversely affect the Group’s operations and profitability; and (iv) the Group may fail to obtain or



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renew the requisite licences, permits or qualifications, or otherwise fail to satisfy their requirements from time to time, which will affect the Group’s ability to obtain new projects and its financial position and prospects. 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” to this [REDACTED].

### RECENT DEVELOPMENT SUBSEQUENT TO THE TRACK RECORD PERIOD

As at 31 March 2015, the Group had 102 design and build projects in progress (including projects that have commenced but not completed and projects that have been awarded to the Group but not yet commenced) with an aggregate contract sum of approximately HK\$742.1 million, of which approximately HK\$253.9 million is expected to be recognised as the Group’s revenue for the year ending 31 March 2016. Subsequent to the Track Record Period, the Group has been awarded with five new design and build projects with a contract sum of over HK\$1.0 million each and the aggregated contract sum for these projects on hand amounted to approximately HK\$102.1 million.

The net current assets of the Group as at 31 May 2015 were approximately HK\$59.6 million. Subsequently, the outstanding balance of all amounts due from/to directors and related parties (save as the business with BuildMax (SZ) which details are set out in the section headed “Connected transactions” to this [REDACTED]) will be settled before the [REDACTED]. As at 31 May 2015, approximately 78.8% of the outstanding receivables as at 31 March 2015 has been subsequently settled and approximately 68.8% of the outstanding payables as at 31 March 2015 has been subsequently settled.

### BUSINESS STRATEGIES

The Group intends to strengthen its market position in Hong Kong by way of (i) further expanding the Group’s capacity to capture more business opportunities; (ii) further development of the Group’s structural engineering business; and (iii) enhancing the Group’s design and customisation capabilities.

### [REDACTED] EXPENSES

The Group expects that the total [REDACTED] expenses, which is non-recurring in nature, will amount to approximately HK\$[REDACTED] million. Out of the total HK\$[REDACTED] million in [REDACTED] expenses, the Group has incurred approximately HK\$[REDACTED] million (including approximately HK\$[REDACTED] million recognised as expense in the combined statements of comprehensive income) for the year ended 31 March 2015. For the remaining amount of approximately HK\$[REDACTED] million, the Group expects to further recognise approximately HK\$[REDACTED] million in the combined statements of comprehensive income for the year ending 31 March 2016. Accordingly, the financial results of the Group for the year ending 31 March 2016 are expected to be affected by the estimated expenses in relation to the [REDACTED]. Such [REDACTED] 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 March 2016 and the amount to be deducted from the Group’s capital is subject to change.

### 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” to this [REDACTED]. Furthermore, a public [REDACTED]

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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.

The net proceeds from the [REDACTED] after deducting related expenses are estimated to amount to about HK\$[REDACTED] million. The Directors intend to apply such net proceeds of the [REDACTED] as follows:

	From the Latest Practicable Date to	For the six months ending				Total
	31 March 2016	30 September 2016	31 March 2017	30 September 2017	31 March 2018	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Further expanding the Group’s capacity to capture more business opportunities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Further development of the Group’s structural engineering business	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enhancing the Group’s design and customisation capabilities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

### DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The interim dividends for the years ended 31 March 2014 and 2015 amounting to HK\$4,050,000 and HK\$1,800,000 respectively represented interim dividends declared and paid to the then owners of the Company.

In addition, the Group declared an interim dividend of HK\$[25.0] million to the then shareholders of the Group in [August] 2015, which was fully paid before [REDACTED]. All dividends declared [had been] fully paid prior to the Latest Practicable Date and the Group financed the payment of these dividends by internal resources. 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 Group’s financial results and other factors stated in the section headed “Financial information — Dividend policy” to this [REDACTED].

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**SUMMARY**

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**[REDACTED] STATISTICS**

[REDACTED] .....	HK\$[REDACTED] per Share
Market capitalisation at the [REDACTED] ( <i>Note 1</i> ) .....	HK\$[REDACTED] million
Unaudited pro forma adjusted net tangible asset value per Share ( <i>Note 2</i> ) .....	HK\$[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 Capitalisation Issue without taking into account the Shares that may be allotted or issued pursuant to the exercise of 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 “Unaudited pro forma adjusted net tangible assets” in the section headed “Unaudited pro forma financial information” in Appendix II to this [REDACTED] and on the basis of [REDACTED] Shares in issue at the respective [REDACTED] immediately following completion of the [REDACTED] and the Capitalisation Issue without taking into account the Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this [REDACTED]. The unaudited pro forma adjusted combined net tangible assets per Share attributable to owners of the Company have not taken into account the dividend declared in [August] 2015 for payment to the then shareholders of the Group amounting to HK\$[25.0] million.