

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 of the information which may be important to you. You should read this document 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 summarised in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a main contractor capable of (i) interior fitting-out and renovation services; and (ii) A&A works for residential, industrial and commercial properties in Hong Kong. We have been running our business since 2005 and gained extensive experience and reputation in the industry. Ample Construction, our principal operating subsidiary for the contracting businesses, has been registered as the Registered General Building Contractor under the Building Authority since 2006 and is approved to carry out A&A works, including general building works and street works under the Buildings Ordinance. Ample Design, our design department, provides interior design services to clients.

Our fitting-out and renovation services mainly include interior fitting-out and renovation works for shops and offices in commercial and industrial properties and residential premises. For A&A works, our scope of works during the Track Record Period was generally structural alterations, structural steel, signage works, building maintenance, refurbishment works and ground improvement. The following tables summarise our revenue breakdown:

By type of services:

	For the year ended 31 March				For the three months ended 30 June 2016	
	2015 HK\$'000	%	2016 HK\$'000	%	HK\$'000	%
Fitting-out and renovation services	98,247	73.3	94,644	67.3	19,607	64.8
A&A works	32,697	24.4	39,130	27.8	8,667	28.7
Interior design services	3,103	2.3	6,945	4.9	1,978	6.5
Total	<u>134,047</u>	<u>100.0</u>	<u>140,719</u>	<u>100.0</u>	<u>30,252</u>	<u>100.0</u>

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By type of properties:

	For the year ended 31 March				For the three months ended 30 June 2016	
	2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Residential	24,061	17.9	23,761	16.9	11,984	39.6
Commercial and industrial	109,986	82.1	116,958	83.1	18,268	60.4
Total	<u>134,047</u>	<u>100.0</u>	<u>140,719</u>	<u>100.0</u>	<u>30,252</u>	<u>100.0</u>

The following table sets forth our gross profit and gross profit margin by service type during the Track Record Period:

	For the year ended 31 March				For the three months ended 30 June 2016	
	2015		2016		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Gross profit and gross profit margin						
Fitting-out and renovation services	13,362	13.6	23,519	24.8	4,581	23.4
A&A works	4,534	13.9	2,948	7.5	2,156	24.9
Interior design services	<u>871</u>	<u>28.1</u>	<u>3,475</u>	<u>50.0</u>	<u>1,144</u>	<u>57.8</u>
Total/overall	<u>18,767</u>	<u>14.0</u>	<u>29,942</u>	<u>21.3</u>	<u>7,881</u>	<u>26.1</u>

We have secured our projects mainly by going through a competitive bidding process, whereby our Group either receives invitations for tender or requests for quotation. The following table sets out the number of project bids, number of successful project bids and our success rate during the Track Record Period:

	For the year ended 31 March		For the three months ended 30 June 2016
	2015	2016	2016
Number of project bids	656	632	304
Number of successful project bids	119	114	57
Success rate (%)	18.1%	18.0%	18.8%

During the course of providing services, we outsource works to our materials suppliers and subcontractors for better resource allocation, and we act as a main contractor for the coordination of materials, subcontractors, our customers and other relevant parties. We have designated personnel in our project management team for the supervision of our subcontractors to ensure their works meet our quality requirements.

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OUR BUSINESS MODEL

Our business model comprises the following:

Fitting-out and renovation

Our fitting-out and renovation business primarily includes interior fitting-out and renovation works carried out for residential, industrial and commercial properties in Hong Kong. The scope of work is generally unique and varies project by project. Please refer to the section headed “Business – Our business operations – I. Fitting-out and renovation business” in this document for further details.

A&A works

Our A&A works include structural alteration, structural steelwork, building maintenance, signage works, ground improvement, refurbishment, fabrication, façade works, other works that improve the general condition of buildings and their facilities, and building construction works. Please refer to the section headed “Business – Our business operations – II. A&A works” in this document for further details.

Interior design

Ample Design, being our interior design arm, provides interior design services. Please refer to the section headed “Business – Our business operations – III. Interior design” in this document for further details.

OUR PROJECT WORK PORTFOLIO

During the Track Record Period and up to the Latest Practicable Date, we have undertaken a number of sizeable fitting-out, renovation and A&A projects and have served many well-known customers. Our track record of handling large scale projects successfully has become the key to gaining customers’ confidence and bringing in new businesses. During the Track Record Period, we completed a total of 74 fitting-out and renovation projects and 132 A&A projects, of which 51 were in the residential sector and 155 in commercial and industrial sector.

As at the Latest Practicable Date, our Group had 14 fitting-out and renovation projects and 23 A&A projects on hand, of which 13 were residential projects and 24 were commercial and industrial projects.

CUSTOMERS, SALES AND MARKETING

Our fitting-out, renovation and A&A projects are mainly awarded by way of tenders invited or quotations requested by our customers or their agents directly. For our interior design projects, our customers are basically those who are planning for fitting-out, renovation and A&A services. We do not limit our interior design customers to engage our Group to carry out fitting-out works exclusively.

For the two years ended 31 March 2016 and the three months ended 30 June 2016, the percentage of our Group’s aggregate turnover attributable to our Group’s largest customer was approximately 42.7%, 39.4% and 20.2%, respectively, while the percentage of our Group’s total turnover attributable to our five largest customers in aggregate was approximately 78.1%, 69.4% and 49.1%, respectively.

During the Track Record Period and up to the Latest Practicable Date, our customers engage us on a project-by-project basis instead of entering into any long-term contract. Our Directors consider that such arrangement is in line with the industry practice as fitting-out,

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renovation and A&A projects are usually one-off. The terms and conditions of the agreements vary from customer to customer and were generally in line with market practice. Please refer to the section headed “Business – Customers, sales and marketing” for further details.

SUPPLIERS

Our suppliers are broadly categorised into (i) materials suppliers; and (ii) subcontractors. Our largest supplier accounted for 11.2%, 9.7% and 17.6% of our total direct costs for the two years ended 31 March 2016 and the three months ended 30 June 2016, respectively. Our top five suppliers accounted for 34.7%, 31.8% and 48.3% of our total direct costs for the two years ended 31 March 2016 and three months ended 30 June 2016, respectively.

Materials suppliers

Our materials suppliers primarily supply us the following materials: lighting, furniture, finishes, electrical equipment, metalware, windows, kitchenware, timber products, tiles, wallpaper, carpet, paints and glass. We generally order the materials and insurance on a project-by-project basis and we did not enter into any long-term supply contracts with our materials suppliers.

Subcontractors

As a fitting-out, renovation and A&A works main contractor, we are responsible for overall project management and implementation. To optimise our resources level and enhance cost efficiency, we subcontract most of the activities of a project to other subcontractors. Typical scope of subcontracted works includes interior fitting-out, renovation and A&A works, building works, structural steel works, electrical works and stone works. We are responsible to our customers for the works performed in a project, including those carried out by our subcontractors. Our customers generally consent us in the use of subcontractors for a project. We enter into separate subcontract agreements with our individual subcontractors.

We maintain a list of approved suppliers (including materials suppliers and subcontractors), which were selected by our project directors and project managers mainly based on the suppliers’ availability, reputation, quality and workmanship, price, safety standard, punctuality of delivery of products or services, and past working experience with us. As at the Latest Practicable Date, there were approximately 504 suppliers (including materials suppliers and subcontractors) on the list of approved suppliers and our management reviews and updates such list regularly. Please refer to the section headed “Business – Suppliers” in this document for further details.

LICENCES AND PERMITS

As at the Latest Practicable Date, Ample Construction is a Registered General Building Contractor and a Registered Electrical Contractor in Hong Kong. Details are as follows:

Authority	Type of registration	Registered Company	Registration No.	Date of registration	Date of expiration
Building Authority	General Building Contractor	Ample Construction	GBC 3/2006	11 October 2006	29 September 2018
Electrical and Mechanical Services Department	Electrical Contractor	Ample Construction	020845	14 July 2015	6 August 2018

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During the Track Record Period and up to the Latest Practicable Date, we had obtained all the material licenses and permits necessary for the operation of our businesses, and such licenses and permits are still valid and in force. We have not experienced any refusal of the renewal application of any material licenses or permits necessary for the operation of our businesses.

COMPETITIVE LANDSCAPE AND MARKET POSITION

According to the Euromonitor Report, the industry in which our Group operates is fragmented with a large number of players and is highly competitive on price. According to the Buildings Department Registry, there were 703 registered general building contractors and approximately 10,000 registered minor works contractors for A&A works under Type A minor works as of December 2016. There are some major construction contractors, which also have their own in-house fitting-out team or subsidiary, are likely to have a better competitive edge since they have the advantage of being able to compete for construction projects as a main contractor and the autonomy to use their own in-house team or engage their subsidiary for fitting-out works. On the other hand, the market share of players within the renovation and A&A works industry is more evenly distributed among mid-sized to small-sized players. Furthermore, as the fitting-out and renovation works and A&A works industry covers a wide range of works requiring different skills, most of the players tend to offer only services in a specialised area.

The quality of work is another factor that is important, especially for high-end developments, such as the fitting-out of luxury apartments or offices for leading international brands. Customers may prefer contractors who are able to coordinate the full range of construction services, eliminating the need to negotiate and deal with multiple subcontractors and possibly shortening the project timeframe. Our Directors consider that our ability to provide comprehensive services is a distinct feature of our Group in our industry. According to the Euromonitor Report, our Group had 0.3% market share in fitting-out and renovation works and 0.7% market share in A&A market in Hong Kong in 2015. Please refer to the section headed “Industry Overview – Competitive landscape” in this document for further details.

COMPETITIVE STRENGTHS

Our Directors believe that the mastery of the following competitive strengths has set our Group apart from our competitors, which also becomes the key to our business growth:

- Established reputation and proven track record
- Possession of an experienced management team
- Versatile contractor capable of fitting-out, renovation and A&A works and interior design
- Stable relationship with our suppliers and subcontractors

BUSINESS OBJECTIVES AND STRATEGIES

Our primary business objective is to strengthen our position to take in more fitting-out, renovation and A&A projects in order to broaden our income sources, expand our customer base and achieve sustainable growth. We intend to achieve our business objectives by pursuing the following strategies:

- Participate further in large scale fitting-out, renovation and A&A projects and enlarge our market share in Hong Kong

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- Uplift our efforts in developing and promoting our interior design and fitting-out business
- Expand our manpower for project execution and strengthen the skills of our staff
- Strengthen our organisation structure and enhance our marketing resources

For details on the implementation of the aforementioned business strategies, please refer to the section headed “Business Objective and [REDACTED]” in this document.

SUMMARY OF FINANCIAL INFORMATION

Summary of combined statements of profit or loss and other comprehensive income

	For the year ended 31 March		For the three months ended 30 June	
	2015	2016	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	134,047	140,719	30,342	30,252
Gross profit	18,767	29,942	5,205	7,881
Profit before tax	12,401	13,025	3,412	5,158
Profit and total comprehensive income for the year/period	10,406	10,067	2,807	4,385

Summary of combined statements of financial position

	As at		
	31 March		30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	3,397	3,149	3,722
Current assets	41,650	50,989	65,873
Total assets	45,047	54,138	69,595
Current liabilities	31,380	30,337	41,368
Net assets	13,416	23,484	27,869

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Summary of combined statements of cash flows

	For the year ended 31 March		For the three months ended 30 June	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Operating cash flow before movements in working capital	13,129	15,017	3,578	5,638
Net cash generated from operating activities	545	2,196	7,824	4,208
Net cash used in investing activities	(24)	(14)	(19)	(819)
Net cash generated from/(used in) financing activities	716	(1,224)	2,657	4,219
Net increase in cash and cash equivalents	1,237	958	10,462	7,608

Key financial and operating data

	As at or for the year ended 31 March		As at or for the three months ended 30 June
	2015	2016	2016
Gross profit margin	14.0%	21.3%	26.1%
Return on assets	23.1%	18.6%	25.2%
Return on equity	77.2%	42.4%	62.9%
Current and quick ratio	1.3	1.7	1.6
Gearing ratio	60.6%	20.8%	29.4%
Net debt to equity ratio	21.7%	N/A	N/A
Interest coverage	119.1 times	96.1 times	82.9 times

Our gross profit margin increased during the Track Record Period mainly because of (i) different project profit margin we charged to different clients; (ii) effective cost control of our projects; and (iii) increase in revenue from our interior design services. For details, please refer to the section headed “Financial Information – Period to period comparison of results of operations” in this document.

For details on the formula of the key financial ratios, please refer to the section headed “Financial Information – Summary of key financial ratios” in this document.

SHAREHOLDER INFORMATION

Immediately following completion of the [REDACTED] and the [REDACTED], each of Heavenly White and Summer Unicorn will control [REDACTED] of our Company’s voting right. For the purpose of the GEM Listing Rules, each of Mr. Cheung, Heavenly White, Mr. Lam and Summer Unicorn is a Controlling Shareholder.

The Controlling Shareholders have entered into the Deed of Non-competition with our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest or

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otherwise be involved in, any business which may be in competition with the businesses. For further details, please refer to the section headed “Relationship with Controlling Shareholders – Non-competition undertakings” in this document.

[REDACTED]

	Based on the [REDACTED] of [REDACTED]	Based on the [REDACTED] of [REDACTED]
[REDACTED] at [REDACTED] (<i>Note 1</i>)	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Unaudited pro forma adjusted combined net tangible assets per Share (<i>Notes 2 & 3</i>)	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

1. The calculation of the [REDACTED] of our Company is based on [REDACTED] Shares in issue immediately after completion of the [REDACTED].
2. The unaudited pro forma adjusted combined net tangible assets per Share has been arrived at after the adjustments referred to under the paragraph headed “Unaudited pro forma adjusted combined net tangible assets” in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this document and on the basis of [REDACTED] Shares in issue at the respective [REDACTED] of [REDACTED] and [REDACTED] per Share immediately following the completion of the [REDACTED].
3. In December 2016, an interim dividend of HK\$18,000,000 was declared to the then Shareholders of our Company. The unaudited pro forma adjusted combined net tangible assets had not taken into account of the above transaction. Had the effect of the interim dividend of HK\$18,000,000 appropriated in December 2016 been taken into account, the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$0.05 and HK\$0.07, assuming the [REDACTED] of [REDACTED] and [REDACTED] per Share, respectively on the basis that [REDACTED] Shares were in issue and that the interim dividend appropriated in December 2016, the [REDACTED] and the [REDACTED] had been completed on 30 June 2016.

[REDACTED]

We intend to raise funds by the [REDACTED] in order to pursue our business objectives and strategies. For further details, please refer to the section headed “Business Objective and [REDACTED]” in this document. Assuming a [REDACTED] of [REDACTED] per [REDACTED], the [REDACTED] from the [REDACTED], after deducting related expenses, are estimated to be approximately HK\$50.0 million. We currently intend to apply such [REDACTED] from the [REDACTED] as follows:

Use	Amount of [REDACTED] to be applied	Approximate % of [REDACTED] to be applied
Participate further in large scale fitting-out, renovation and A&A projects and enlarge our market share in Hong Kong	[REDACTED]	[REDACTED]
Build mock-up unit, recruit designers and participate in competitions and exhibitions	[REDACTED]	[REDACTED]
Expand our manpower for project execution and strengthen the skills of our staff	[REDACTED]	[REDACTED]

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Use	Amount of [REDACTED] to be applied	Approximate % of [REDACTED] to be applied
Strengthen our business development and quantity surveying and enhance our marketing resources	[REDACTED]	[REDACTED]
General working capital of our Group	[REDACTED]	[REDACTED]

[REDACTED]

Our estimated [REDACTED] primarily consist of legal and professional fees in relation to the [REDACTED]. Assuming a [REDACTED] of [REDACTED] per Share, being the mid-point of the [REDACTED] range stated in this document, the [REDACTED] are estimated to be approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standard. The remaining amount of approximately HK\$[REDACTED] is chargeable to the combined statements of profit or loss and other comprehensive income, of which approximately HK\$[REDACTED] and HK\$[REDACTED] were charged to the combined statements of profit or loss and other comprehensive income for the year ended 31 March 2016 and three months ended 30 June 2016, respectively, and approximately HK\$[REDACTED] is expected to be charged for the nine months ending 31 March 2017. Our Directors are of the view that the liquidity position of our Group will not be adversely affected by the [REDACTED]. The estimated [REDACTED] are subject to adjustments based on the actual amount incurred or to be incurred. Prospective investors should note that our financial results for the year ending 31 March 2017 will be affected by the estimated [REDACTED] described above.

DIVIDENDS

During the Track Record Period, we did not declare any dividend. Our Company declared a dividend in an amount of HK\$18 million in December 2016, of which approximately HK\$8 million was paid through internal resources and the balance of approximately HK\$10 million was set off against the outstanding balances of the amounts due from the Controlling Shareholders. Our Directors consider that there is no material adverse impact on our Group’s financial and liquidity position arising out of the dividend payment as our Group will still maintain net current assets and net assets positions after payment of the dividend. We do not have a fixed dividend payout ratio. The payment and the amount of any future dividends will be at the discretion of our Directors and will depend upon our Group’s future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors deem relevant. Holders of the Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. Dividends may be paid only out of our Company’s distributable profits as permitted under the relevant laws. There can be no assurance that our Company will be able to declare or distribute in the amount set out in any plan of our Board or at all. The past dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

PRINCIPAL RISK FACTORS

We believe that there are certain risks involved in our operations, some of which are beyond our control. More details of the risks we are exposed to are set out in the section headed “Risk Factors” in this document. The following highlights some of the risks which are considered to be material by our Directors:

- Our contracts are not recurring in nature and our future business depends on our continuing success on project tender

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- We rely on key management personnel and our business operation may be adversely affected if our Group is unable to retain them and identify suitable replacement
- We are exposed to credit risk of our major customers
- Our Group may not have adequate insurance coverage and our Group is affected by increasing insurance costs and reduction of insurance coverage by the insurers

LITIGATION AND POTENTIAL CLAIMS

As at the Latest Practicable Date, we faced one on-going litigation under the Employee’s Compensation Ordinance and one common law personal injury claim, both arising from a fatal accident happened in August 2013. We have been advised by Mr. Yuen Siu Kei, a barrister-at-law in Hong Kong, that our Group may be liable under the Employee’s Compensation Ordinance and in such event, our Group may be required to pay up to approximately HK\$2,013,000 as a compensation to the plaintiff. Our Group has made a provision of approximately HK\$2,013,000 in this regard. In addition, during the Track Record Period, there is one incident which may give rise to potential litigation in relation to employee’s compensation and/or common law personal injury claims against our Group and we have settled three claims against us. Please refer to the section headed “Business – Litigation and potential claims” in this document for further details.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we have secured 68 additional contracts with an aggregate contract sum of approximately HK\$40,323,000 (6 of which have a project sum exceeding HK\$1 million). As at the Latest Practicable Date, we had 50 projects on hand (including contracts in progress as well as contracts that were awarded to us but not yet commenced). The aggregate contract sum of all contracts on hand is approximately HK\$91,521,000 and approximately HK\$22,365,000 of revenue has been recognised during the Track Record Period. We expect to recognise revenue of approximately HK\$69,156,000 for the year ending 31 March 2017 based only on our contracts on hand. As at the Latest Practicable Date, all existing projects have continued to contribute revenue to our Group and none of them have had any material interruption. The amount of revenue expected to be recognised is subject to change due to the actual progress and commencement and completion dates of our projects. Please refer to the section headed “Business – Our fitting-out, renovation and A&A project work portfolio” in this document for further details.

Following the Track Record Period, we have been continuously approached by customers for submitting quotations or tenders for new projects. In this regard, our Directors have been cautiously optimistic in preparing our tenders and quotations with an aim to expand our business. A dividend of HK\$18.0 million was declared in December 2016 by our Company.

Our Directors confirm that there have not been any material adverse changes on our financial and trading position and our prospect after the Track Record Period and up to the date of this document, other than the impact of [REDACTED].

MATERIAL ADVERSE CHANGE

Our Directors confirm that, save as disclosed, in particular, in the paragraphs headed “Summary of financial information” and “[REDACTED]” in this section, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2016, being the date to which the latest audited financial statements of our Group were made up, and up to the date of this document.