

**NGA CHUN HOLDINGS COMPANY LTD:
WHAT IS MR FUNG CHI WING'S THINKING ?
WHY IS THIS COMPANY, GOING PUBLIC ?**

Once again, **TARGET** () is obliged to ask the same question: For what valid and logical, primary reason has one of the latest candidates for a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) determined to go public?

Nga Chun Holdings Company Ltd () (Code: 1462, Main Board, The Stock Exchange of Hongkong Ltd) is without any actual indebtedness, has an unbroken, 36-month, track-record of rising profits, and has cash and cash equivalents, as at March 31, 2014, of about \$HK96.49 million.

Yet, Management has determined to raise between \$HK53.90 million and \$HK93.40 million by Offering, to the HKSAR investing public, a tranche of 10 million, one-cent Shares and, at the same time, is Placing another tranche of 90 million, one-cent Shares at the Indicative Offer Price Per Share, ranging between 70 cents and \$HK1.10.

In the process of launching its **Initial Public Offer (IPO)**, Management of Nga Chun Holdings has been forced to lash out at least \$HK16.30 million to solicitors, accountants, advisers, and a host of other people and companies in order to put together an acceptable Placing and Public Offer Prospectus.

The oblique reasons for this very modest, cash-raising exercise could be said to have been contained at Page 219 of the Placing and Public Offer Prospectus where Management has stated the proposed utilisation of the net proceeds of this IPO:

'We intend to apply the net proceeds to us from the Share Offer, after deducting related underwriting fees and estimated expenses in connection with the Share Offer and assuming that the Offer Size Adjustment Option is not exercised at all and an Offer Price of HK\$0.90, being the mid-point of the Offer Price range, of approximately HK\$73.7 million as follows:

- *approximately HK\$44.2 million or approximately 60% of the net proceeds will be used for the operation of prospective projects;*
- *approximately HK\$14.7 million or approximately 20% of the net proceeds for the hiring of 30 additional staff including project managers and experienced engineering staff by the year ending 31 March 2018;*
- *approximately HK\$7.4 million or approximately 10% of the net proceeds for the upgrade of our computer system and software in the next three to five years; and*
- *approximately HK\$7.4 million or approximately 10% of the net proceeds will be used as general working capital of our Group.'*

It must have been very difficult for Management to have conceived of the above usages of the net proceeds – considering that the Company is flush with cash and cash equivalents that, in aggregate, are considerably

greater than the amount of money, expected to be raised at this IPO.

The Business

Nga Chun Holdings was the 1994 brainchild of the Mr Fung Chi Wing () and his two brothers, Messrs Fung Chuen () and Fung Chi Kwong ().

Fungs E and M Engineering Company Ltd () was founded in the HKSAR on July 28, 1994, and it was, originally, planned to carry out building services engineering works in the HKSAR.

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