

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. The business, financial condition or results of operations of our Group could be materially adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We had two pending criminal charges that were brought against us by the Labour Department as at the Latest Practicable Date

Our Group had received two summonses both dated 30 August 2012 for respective charges laid by the Labour Department alleging our Group's failure (i) to provide such information and supervision as was necessary to ensure, so far as was reasonably practicable, the health and safety at work of the person(s) employed by us at the industrial undertaking; and (ii) to provide and maintain a system of work on supporting the reinforcement cage by wedges that were, so far as was reasonably practicable, safe and without risks to the health of the person(s) employed by us at the industrial undertaking, contrary to the Factories and Industrial Undertakings Ordinance (Cap. 59) of the laws of Hong Kong. Both charges relate to an accident occurred on 5 March 2012 concerning bored piles works that resulted in injuries to four of our Group's employees. The accident occurred when our Group's workers were placing a reinforced-bar cage into a borehole, during which the reinforced-bar cage suddenly fell down and one of the worker's hand was torn off, while the other three workers suffered from minor injuries. No pleas have been taken for both summonses as at the Latest Practicable Date as our Group's first appearance at the Magistrates' Court will be held on 27 September 2012. In case our Group is unsuccessful and convicted, the maximum criminal liability will be subject to an overall fine of HK\$1,000,000.

We estimate time and costs in order to determine the tender price. However, the actual implementation of a project may not be in accordance with such estimation due to cost overruns and other construction risks related to the project

Construction contracts are normally awarded through competitive tendering process. We need to estimate the construction time and costs in order to determine the tender price. There is no assurance that the actual construction time and costs would not exceed our estimation during the actual implementation of the project, which usually takes less than 12 months to complete. We currently generate, and expect to continue to generate, a substantial portion of our revenues from fixed-price contracts. Fixed price contracts represented approximately 87%, 82% and 98% of the total project revenue for the three years ended 31 March 2010, 2011 and 2012 respectively. The terms in these contracts require us to complete a project for a fixed price and therefore expose us to cost overruns. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, result in lower profit or a loss on a project. As a result, we will only realise profits on these contracts if we successfully estimate our project costs and technical difficulties and avoid cost overruns.

The time taken and the cost actually involved in completing construction projects undertaken by us may be adversely affected by many factors, including shortage and cost escalation of materials and labour, difficult geological condition, adverse weather conditions, additional variations to the

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construction plans requested by the customers or because of technical construction needs, disputes with subcontractors, accidents, changes in the Hong Kong government's priorities and unforeseen problems and circumstances. Any of these can give rise to delays in completion of construction works or cost overruns or even unilateral termination of projects by customers.

All of our contracts are subject to specific completion schedule requirements and the customer may charge us liquidated damages if we do not meet the schedules. Liquidated damages are typically levied at an agreed rate for each day of delay that is deemed to be our responsibility. Any failure to meet the schedule requirements of our contracts could cause us to pay significant liquidated damages, which would reduce or eliminate our profit on the relevant contracts. During the Track Record Period, our Company has experienced delay on two projects and HK\$0.6 million in liquidated damages have been paid.

Delays in the process of obtaining any specific permits, approvals from relevant agencies or authorities of the Hong Kong government in carrying out any particular construction project can also increase the cost or delay the progress of a project. Failure to complete construction according to specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the construction project concerned. Such delays or failure to complete and/or unilateral termination of a project by customers may cause our revenue or profitability to be lower than what we have expected. We cannot guarantee that we will not encounter cost overruns or delays on our current and future construction projects. If such cost overrun or delays occur, we could experience an increase in costs exceeding our budget or be required to pay liquidated damages with a consequent reduction in, or elimination of, the profits on our contracts.

We are exposed to construction dispute or litigation

We may receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our projects from time to time. Such claims include claims for compensation for late completion of works and delivery of substandard works, and claims in respect of personal injuries and labour compensation in relation to the works. During the Track Record Period, we encountered several incidents of disputes or litigation arising out of our operations which did not and not expected to have material effect on our business and/or financial position. Historically, our Group had certain disputes with a single customer in relation to the First Project and Second Project which were completed in 2001 and 2003 respectively. The contractual disputes had significant financial impacts on our Group before and during the Track Record Period and legal expenses in the amount of approximately HK\$1.1 million and HK\$11.6 million were incurred by our Group for each of the years ended 31 March 2010 and 2011 respectively in relation to the Second Project. Please refer to the sections headed "Business — Litigation, arbitration and potential claims" and "Financial Information" in this prospectus for further information. The handling of contractual disputes, litigation and arbitration involves a high degree of the management's attention and input, and the outcomes are influenced by, inter alia, negotiation technique, knowledge and judgment of our executive Directors. Our Group relies on the relevant expertise and qualification of our executive Directors in dealing with contractual disputes, litigation and arbitration. For the background of our executive Directors, please refer to the section headed "Directors and Senior Management" of this prospectus for more information.

Should any claims against us fall outside the scope and/or limit of our insurance coverage or monies retained from subcontractors, our financial position may be adversely affected.

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We rely on a limited number of major customers

Our ability to maintain close and mutually beneficial relationship with our customers is important to our ongoing growth and profitability. Our top 5 customers during the Track Record Period accounted for approximately 100%, 55% and 56.3%, respectively of our revenue; whereas our largest customer accounted for 46%, 28% and 15.2% of our revenue for the corresponding period, respectively. As we do not enter into long-term sales contracts with our customers, there is no assurance that any of our major customers will continue to engage us at the same contracting rate, or at all, as they have done so historically. Any decrease or delay in spending of such top 5 customers in the construction industry could have an adverse effect on our business and profits. In addition, in the event of default of payment by any of our major customers, our business and/or financial position would be materially affected. Due to the competitiveness of the industry we operate, there is no assurance that we can continue to diversify the composition of our customer base and include other new customers.

Our revenue is mainly derived from construction projects which are not recurrent in nature and there is no guarantee that our customers will provide us with new business

During the Track Record Period, most of our revenue was derived from construction projects with the Hong Kong government or private developers in Hong Kong. As at the Latest Practicable Date, we had 16 Major Projects in progress and 8 of them were scheduled for completion soon after the Listing. There is no guarantee that we will be able to secure new contracts with customers or that they will not withdraw from the contractual agreement prior to commencement of the project. If such an event does materialise, our future revenue and hence our future profit will be adversely affected.

Our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment would be paid to us on time and in full, or that retention money is fully released to us upon completion of a project

We normally receive progress payment from our customers, either from the main contractor when we act as a subcontractor, or the employer where we act as a main contractor, on a monthly basis by referring to the value of works done, and a portion of contract value, normally between 1% to 5%, is usually withheld by our customers as retention money. Please refer to the paragraph headed “Progress payment and retention money” in the “Business” section of this prospectus for further details. As at 31 March 2010, 2011 and 2012, retention receivables of approximately HK\$1.0 million, HK\$22.3 million and HK\$19.5 million, respectively was retained by our customers.

There can be no assurance that progress payment would be paid to us on time and in full, or the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

Our Group’s historical revenue from construction projects may not be indicative of our future revenue

Due to the nature of construction works, our Group’s construction projects may include unforeseen obstacles, such as difficult sub-soil conditions and increase in labour or other material costs, which may not have been anticipated during the tendering stage which would lead to additional works to be

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performed by our Group, and thus affect the overall profit margin of our Group's projects if such amounts cannot be recovered from our employers. Further, since we receive payments from our customers by way of progress payments based on the works done, the approval and certification of which are subject to decision from external parties and not our Group, namely, the architects or quantity surveyors employed by our customers.

Due to the above uncertainties which are beyond our Group's control, the profit margins and income of our Group's construction projects may fluctuate from project-to-project and the historical revenue from our construction projects may not be indicative of our future revenue.

We may not recover our contracting fees on time and in full

From time to time, we may act as a subcontractor in some of our projects. Under such circumstances, the main contractor will normally be paid by the employer directly. Payment from the main contractor to us may be affected by the progress of the whole project and the creditworthiness of the main contractor. There is no assurance that the main contractor will receive the contracting fees from the employer, and in turn pay us the subcontracting fees on time or at all. In the event we are unable to recover our subcontracting fees, our cash flow and financial performance in the future will be adversely affected.

On the other hand, we may also act as a main contractor whereby we are directly responsible to the employer, such as Hong Kong government departments and private property developers, for the whole project. Under such circumstances, the employer will pay the contract fees to us directly. Payment from the employer may be affected by the progress of the whole project and the creditworthiness of the employer. There is no assurance that the employer will pay such fees to us on time or at all. In the event we are unable to recover our contract fees, our cash flow and financial performance in the future will be adversely affected.

We are exposed to interest rate risk

We had finance lease liabilities of approximately HK\$18.4 million, HK\$77.5 million and HK\$98.1 million as at 31 March 2010, 2011 and 2012 respectively. We also had bank borrowings of approximately HK\$14.3 million and HK\$10.6 million as at 31 March 2011 and 2012 respectively. These finance lease liabilities and bank borrowings carry floating interest rate and expose our Group to cash flow interest rate risk which is partially offset by cash held at variable rate. The finance leases carried interest rate at 1.5% to 3.5% per annum above HIBOR and the bank borrowings carried interest rate at 2% to 2.5% above HIBOR or current prime rate. Our Group has not hedged its cash flow interest rate risks.

As at 31 March 2010, 2011 and 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, our Group's profit after tax for the year would have been decreased/increased by approximately HK\$184,000, HK\$919,000 and HK\$1.1 million respectively, mainly as a result of higher/lower interest expense on borrowings with floating interest rates. If the applicable floating interest rates increase in future, our Group's earnings and liquidity may be adversely affected.

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The price of our variation works may not be clearly determined

Our customers may, in the course of project implementation, make “variation order” to our Group and request our Group to alter the scope of works or perform additional works on top of the terms and scope of original construction contracts by way of “variation order”. The terms of these “variation order” are agreed between our Group and the surveyor authorised by the customer in accordance with the principles that, inter alia, any additional work carried out which is the same as or similar in character to and executed under the same or similar conditions and circumstances to any item of work priced in the original contract shall be valued at the rate set out in the original contract for such item of work. In the event our Group and the surveyor authorised by the customer fail to reach agreement on the rate at which the variation works are determined, the surveyor authorised by the customer shall fix the rate as shall in his opinion be reasonable. In the event our Group disagrees on the rates fixed by surveyor authorised by the customer, contractual disputes with our customers may arise, and our results of operation, liquidity and financial position may be adversely affected.

We rely on third parties to complete some of our construction projects, which may be adversely affected by the sub-standard performance or non-performance of such third parties

In order to minimise the need to employ a large workforce that includes skilled labor in different specialised areas and semi-skilled labor, to maximise our cost-efficiency and flexibility, and to utilise the expertise of other properly qualified specialist contractors, we sometimes engage third-party subcontractors to perform a portion of the work under our contracts. We may not be able to monitor the performance of these subcontractors as directly and efficiently as with our own staff. In addition, our inability to hire qualified subcontractors could hinder our ability to complete a project successfully. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors or third parties. As a result, we may experience deterioration in the quality or delivery of our construction projects, incur additional costs due to the delays or at a higher price in sourcing the services, equipment or supplies in default, or be subject to liability under the relevant contract for our subcontractor’s performance. Such events could impact upon our profitability, financial performance and reputation, and result in litigation or damage claims.

If our subcontractors violate any laws, rules or regulations in relation to health and safety matters, we may not only expose ourselves as primary obligor to prosecutions by relevant authorities, but also be liable to claims for losses and damages if such violations cause any personal injuries/death or damage to properties. In the event there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred in the sites for which we are responsible, our operations and hence our financial position will be adversely affected.

We depend on key management personnel

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of senior management, in particular, our executive Directors are important to us. The loss of a significant number of our executive Directors and/or senior management may have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition for such personnel is intense, and any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

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We are exposed to claims arising from latent defects and product liability

We do not maintain any product liability insurance and we may face claims arising from latent defects, that are existing but not yet active, developed or visible, found in piles which are constructed by us. In the event that there is any significant claim against us for the product liability of any default or failure of our product by our customers or other party, our profitability would be adversely affected.

We are exposed to environmental liability

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong government which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be revised by the Hong Kong government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines can increase our cost and burden in complying with them.

We are exposed to certain types of liabilities that are generally not insured

Save for liabilities arising from personal injuries claims which are normally covered by employees' compensation insurance, certain types of liabilities (such as liabilities from negligent claims under common law, acts of God or other natural disasters) are generally not insured because they are either uninsurable or it is not cost justifiable to insure against certain risks. In the event that an uninsured liability arise, we may suffer losses which may adversely affect our financial position.

We rely heavily on the quality of service of third party maintenance specialists in the maintenance and repair of our substantial amount of fixed assets

We own a full range of machinery and will continue to acquire additional machinery from overseas. The maintenance and repair of such fixed assets rely heavily on the quality of service of the third party maintenance specialists to which we outsource maintenance and repair services. In the event that there is any failure of operation of our machinery arising from the maintenance and repair services rendered by these third party maintenance specialists or any loss of service of any of the experienced member of their maintenance team, our operation and business would be adversely affected.

We had net current liabilities as at 31 March 2010

Our Group had net current liabilities of approximately HK\$11.5 million as at 31 March 2010. The net current liabilities position as at 31 March 2010 was primarily due to the purchase of fixed assets of approximately HK\$36.6 million for our Group's long term investment during the year.

There can be no assurance that we will always be able to maintain sufficient working capital or raise necessary funding to finance our current liabilities and meet our capital commitments. In such circumstances, our business, financial position and prospects may be materially and adversely affected.

Our cash flows may fluctuate

As far as a single project is concerned, net cash outflows are normally recorded at the early stage of carrying out our construction works when we are required to pay the setting up expenditures. Progress payments will be paid after our construction works commence and are certified by our

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customers and accordingly the cash flows for a particular project will turn into accumulative net inflows gradually as the construction works progress. Please see the section headed “Business — Operating procedures” in this prospectus for more information.

If we take up too many significant projects at a particular period of time, which require substantial initial setting up costs without cash inflow from other projects during such period of time, our cash flow position may be adversely affected.

We may be required to perform extensive excavation works on carriageway and footway and may damage various underground services utilities

Services utilities, such as fresh and flush water mains, low or high voltage electric cables, optical fibre telephone line and high pressure gas mains, are laid underground or below carriageways and footways in Hong Kong. We, when carrying out site formation works, site investigation works or building basement construction, may encounter those service utilities. There is no assurance that damage to those utilities will not occur during our excavation works. Accordingly, we may be liable to the costs for the repair of such damaged service utilities.

Our profit may be substantially reduced if there are changes in our subcontracting charges and construction materials costs after tendering

Our subcontracting charges and construction material costs represent a significant portion of our cost of sales. During the Track Record Period, our subcontracting charges and construction material costs amounted to approximately HK\$18.7 million, HK\$149.8 million and HK\$172.1 million for each of the years ended 31 March 2010, 2011 and 2012 respectively. We prepare our tender based on our estimated project costs (which mainly include subcontracting charges and construction material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers but the actual subcontracting costs and material costs will not be determined until we have entered into agreements with our customers. Any fluctuations in the subcontracting charges and construction material costs during this period will affect our profitability. In particular, for Hong Kong government projects, we normally have to purchase construction materials from approved suppliers within the Specialist List maintained by the Works Branch. The choices of such approved suppliers are limited and we are exposed to the risk to bear unexpected additional costs when these approved suppliers ask for prices higher than those originally tendered.

We rely on a stable supply of labour to carry out our projects

Construction works are generally labour intensive. For any given project, a large number of workers from various trades with different skills may be required.

However, there is no guarantee that the supply of labour and average labour costs will be stable. In the event that we or our subcontractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within budget and our operations and profitability may be adversely affected.

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We engage, directly or indirectly, labourers of different trades who may launch industrial action or strikes to have higher wages and shorter working hours

Foundation works usually involve various trades, such as placing concrete, erecting formwork and reinforcement bar bending and fixing. Each trade requires highly specialised labourers of its own and may not be substituted with labourers of other trades. We are exposed to the risk that some trade unions may launch industrial actions or even strikes to ask for higher wages and shorter working hours. If we meet their demand, we will incur additional labour costs, or if not, we may be exposed to the risk of claims for liquidated damages by employers/developers for the delays in completion of our contracts. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

The trend of our historical financial information may not necessarily reflect our financial performance in the future

For each of the years ended 31 March 2010, 2011 and 2012, our revenue amounted to approximately HK\$51.3 million, HK\$257.5 million and HK\$313.1 million, respectively. For each of the years ended 31 March 2010, 2011 and 2012 our net profit amounted to approximately HK\$10.8 million, HK\$35.4 million and HK\$25.8 million, respectively. Our Group's results of operation were also affected by construction projects completed before the Track Record Period. In the year ended 31 March 2011, our Group recorded construction contracts income of approximately HK\$6.4 million and net reversal of provision for claims of approximately HK\$11.2 million arising from one construction project which had been completed before the Track Record Period.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new contracts and control our costs and expenditures.

Fluctuation of our gross profit and gross profit margin may adversely affect our financial condition

For the three years ended 31 March 2010, 2011 and 2012, our gross profit was approximately HK\$18.8 million, HK\$70.8 million and HK\$59.7 million, respectively; whereas our gross profit margin was approximately 36.6%, 27.5% and 19.1%, respectively.

There is no assurance that our gross profit and gross profit margin will remain stable in the future and our financial condition may be adversely affected by any decrease in the gross profit or gross profit margin.

Failure to maintain safe construction sites and/or implement our safety management system may lead to occurrence of personal injuries, property damages or fatal accidents

As a main contractor, we are deemed to be an occupier of our construction sites which we have obligations to maintain a safe and healthy working environment to all lawful visitors, including any labour, staff and general public. Any failure to maintain safe construction sites and/or implement our

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safety management system may lead to occurrence of personal injuries, property damages or fatal accidents and there is no assurance that personal injuries, property damages or fatal accidents will not occur at our construction sites.

A qualified/licensed contractor could also be prohibited from tendering for public works of a relevant category during a suspension period if a fatal construction accident occurs at a construction site for which the contractor is responsible for or the performance of the contractor is not satisfactory.

Due to the nature of works in the construction industry, risks of accidents or injuries to workers are inherent and cannot be completely eliminated. There is no assurance that fatal construction accidents will not occur on construction sites for which we are responsible as a main contractor, or that we will not be subject to regulatory actions in the future which may have an adverse impact on our overall operations or on our eligibility to tender for Hong Kong government works.

We normally take out insurance policies of contractors' all risks (including third party liability) and employees' compensation to cover our risk in paying losses and damages to third parties for any personal injuries or property damages which may occur at our sites. There is no assurance that the insurers have sufficient financial means or would not deny liability to cover our losses and damages. Neither is there any assurance that the policies could fully cover all aspects of personal injuries or property damage occurring on our sites. In any event, any personal injuries, property damages or fatal accidents occurring on our construction sites may result in disciplinary actions by the Hong Kong government and/or may have adverse impact on our profitability and operating results. Furthermore, our participation in Hong Kong government projects may, more likely than in the case of projects for private sector customers, draw public attention if there is any fatal accident. Such publicity may or may not be adverse and there is no assurance that any such publicity, whether adverse to us or not, will not be overstated.

We are exposed to risk of damaged reputation due to employees' compensation claims and personal injuries claims arising from our construction projects

Injuries to workers at construction sites are a common inherent risk in the construction industry. As at the Latest Practicable Date, our Group has certain claims in relation to employees' compensation and personal injuries, the proceedings of which are in progress. Furthermore, our Group also has 21 potential claims for which the relevant personal injuries actions have not been commenced. For more information, please refer to the section headed "Business — Litigation, arbitration and potential claims" in this prospectus.

Such claims not only expose us to the risk of having to bear higher insurance premiums in the future, but may also lead to damage to the reputation of our Group if such claims escalate into high profile cases and become widely reported in the media or within the industry. If such incidents occur, our business prospects and results of operation may be negatively affected.

Dividends declared in the past may not be indicative of the dividend policy in the future

Subsidiaries of our Company have declared dividends to the then shareholders of our subsidiaries of HK\$9.3 million and HK\$20 million in the year ended 31 March 2012 and in May 2012 respectively, which have been settled by us and financed by our internal resources. No dividend was declared by subsidiaries of our Group in the year ended 31 March 2010 and 2011. Any declaration of dividends

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proposed by our Directors and the amount of any such dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividend policy of our Company, please see the section headed “Financial information — Dividend policy” in this prospectus. We cannot guarantee if and when dividends will be paid in the future.

Our operations could be materially and adversely affected by bad weather, natural disasters, severe communicable disease, acts of wars, terrorism or other incidents which are beyond our control

Our business operations are mostly conducted outdoors and are vulnerable to bad weather. We may, as a result of persistently unfavorable weather conditions or natural disasters, be prevented from performing work at our construction sites, and thereby fail to meet specified milestone dates. Should we be required to halt operations during such inclement weather or natural disasters, we may continue to incur operating expenses even while we experience reduced revenues and profitability. Moreover, our business is subject to outbreak of severe communicable diseases, such as swine flu, avian flu, severe respiratory syndrome, natural disasters or other acts of God which are beyond our control and which may adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed, any or all of which could materially impact our revenue, costs, financial conditions and growth potentials. The potential for these incidents may also cause uncertainty leading to our business as well as those of our customers and suppliers to suffer in the ways that we cannot predict. Our business and operating results may be materially and adversely affected as a result.

RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE

Our performance is dependent on market conditions and trends in the construction industry and in the overall economy which may change adversely

All our operations and management are currently located in Hong Kong. The future growth and level of profitability of the foundation industry in Hong Kong are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Hong Kong government’s spending patterns on the construction industry in Hong Kong, the investment of property developers and the general conditions and prospects of Hong Kong’s economy. These factors may affect the availability of foundation projects from the public sector, private sector or institutional bodies.

Apart from the public spending of the Hong Kong government, there are numerous factors affecting the foundation industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong’s currency policy, or should the demand for foundation works in Hong Kong deteriorate, our operations and profits could be adversely affected.

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The change in political, economic and fiscal policy by the Hong Kong government may adversely affect our performance and prospects

Our results and prospects may be adversely affected by changes in the Hong Kong government's spending and policy. The foundation industry depends heavily on the level of building and construction activities in the Hong Kong property and infrastructure markets in both the public and private sectors. Such activities are in turn influenced by the Hong Kong government's policies. The foundation industry in Hong Kong to a large extent depends on the level of public spending of the Hong Kong government on public housing and infrastructure projects. During the Track Record Period, our Group generated approximately 11.5%, 32.5% and 9.9% respectively of our revenue from public projects which are directly or indirectly affected by the Hong Kong government's policies. Any decrease in the level of public spending due to any change in the Hong Kong government's policy such as the deferment, suspension or termination of any public housing or infrastructure projects will adversely affect our Group's business prospects and may potentially damage our Group's business and results of operation.

Our business is subject to economic and political risks in Macau

Our Group had been awarded a private construction project as a subcontractor in Macau. This project has not commenced as at the Latest Practicable Date. Conducting business in Macau involves certain risks not typically associated with operations in Hong Kong, including risks relating to changes in Macau's and China's political, economic and social conditions, changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in regulatory requirements in relation to subcontracting construction works, tightening of regulations on foreign subcontractors, changes in exchange control regulations, change in interest rate and change in rates or method of taxation. Our Group's operations in Macau are exposed to the risk of changes in laws and policies that govern companies that operate in Macau, specifically construction subcontractors carrying out works in Macau. In addition, the legal and judicial system adopted in Macau is substantially different from that in Hong Kong, and rights and protection under Hong Kong laws that companies in Hong Kong expect may not exist in Macau. Furthermore, in the event that the aforementioned project in Macau does not proceed for reasons such as termination by the customer and/or the developer, or government measure which halts the project, our Group may lose the potential future income to be derived from this project.

We operate in a competitive industry

The foundation industry in Hong Kong has a number of participants and is competitive. For instance, there were 129 Registered Specialist Contractors (Foundation Works) according to data from the Buildings Department as at 17 September 2012. Occasionally, new participants may wish to enter the industry if they have the appropriate skills, local experience, necessary machinery and equipment, capital and are granted the requisite licences by the relevant regulatory bodies. We face competition from other contractors in the tendering for construction contracts. Increased competition may result in lower operating margins and loss of market share, resulting in an adverse impact on our profitability and operating results.

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We may fail to renew or obtain the requisite registrations and licences to undertake foundation projects in Hong Kong

As a minimum requirement for undertaking foundation projects in Hong Kong, a contractor is required to be registered under the Buildings Ordinance (Cap.123) as a Registered Specialist Contractor in the foundation category. In addition, a contractor must be included in the Specialist List to undertake public sector foundation works, and admitted to the Housing Authority List of Piling Contractors (Large Diameter Bored Piling Category) to undertake large diameter bored piling works of the Housing Authority. Contractors registered with the Works Branch are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Hong Kong government works. Please refer to the paragraph headed “Contractor licensing regime” in the section headed “Laws and Regulations” of this prospectus for further details.

Government authorities may, in certain circumstances, remove a contractor from their lists or take other disciplinary actions against a contractor such as suspension, downgrading to probationary status, or demotion to a lower group in respect of all or any work category, if the performance or tendering record of the contractor is found to be unsatisfactory. In the event of a withdrawal, revocation or downgrading of our registrations in any work category or if any of our registrations are not renewed upon expiry, our financial position and ability to obtain future contracts would be adversely affected.

We are exposed to project risks

Every tender invitation for a foundation contract includes a ground investigation report which is provided by the customer. It is not unusual to find difficult sub-soil conditions which may not have been anticipated at the tendering stage. Such ground conditions may make pile construction difficult which in turn may increase project expenses. In the event that we have committed to a fixed sum or rate foundation contract and no adjustment to the contract sum could be agreed with our customers, we may have to absorb such increased expenses and our profitability would be adversely affected.

RISKS RELATING TO THE SHARE OFFER AND OUR SHARES

Investors will experience immediate dilution

Because the Offer Price of our Shares is higher than the net tangible book value per Share immediately prior to the Share Offer, purchasers of our Shares in the Share Offer will experience an immediate dilution in the unaudited pro forma adjusted net tangible assets value to HK\$0.71 per Share, based on the maximum Offer Price of HK\$0.94, assuming that the Offer Size Adjustment Option is not exercised.

The Shareholders’ interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage

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ownership of those existing Shareholders may be reduced, and they may experience subsequent dilution, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

There has been no prior public market for our Shares. If an active trading market for our Shares does not develop, the price of our Shares may be adversely affected and may decline below the Offer Price

Prior to the Share Offer, there was no public market for our Shares. The Offer Price was the result of negotiations between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for the Shares following the Share Offer.

In addition, we cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The liquidity and market price of our Shares following the Share Offer may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and announcements of major foundation works contracts awarded could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade.

Due to the time lag between pricing and trading of the Shares, there is a risk that the price of our Shares may fall before trading begins

The Offer Price will be determined on the Price Determination Date, which is expected to be on 9 October 2012. However, trading of the Shares on the Main Board will not commence until the Listing Date, which is expected to be 18 October 2012. During this period, investors may not be able to sell or otherwise deal in the Shares. Accordingly, holders of the Shares are subject to the risk that the Shares' price could fall before trading begins resulting from adverse market conditions or other adverse developments that could occur between the time of the sale and the time trading begins.

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in the paragraph headed "Cayman Islands Company Law" in Appendix IV to this prospectus.

RISK FACTORS

Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of its Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. The Shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods up to 12 months after the Listing Date. We cannot give any assurance that they will not dispose of Shares they may own now or in the future.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Statistics and industry information may come from various sources which may not be reliable

Certain facts, statistics and data presented in the section headed “Industry Overview” and elsewhere in this prospectus relating to the Hong Kong foundation industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. We believe that the sources of the information are appropriate sources for such information and we have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. Neither our Group, our Directors, the Sponsor nor any of the parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics, as such these statistics and data should not be unduly relied upon.

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Joint Lead Managers and the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the Offer Shares. You should rely only on the information contained in this prospectus and the Application Forms.