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## RISK FACTORS

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

### RISKS RELATING TO OUR BUSINESS

**Our business is concentrated on our major customers, the top 3 of which accounted for approximately 94.7%, 95.4%, 97.2% and 95.1% of our annual revenue respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 and our performance largely depends on our ability to tender for and us being awarded works from some of our major customers**

During the Track Record Period, we derived a very significant portion of our revenue from the undertaking of contract works to our major customers, including Company A, Company B, WSD and HKT Group. Our contract revenue received from these customers accounted for approximately 94.7%, 95.4%, 97.2% and 95.1% of our annual revenue respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. During the Track Record Period, our contract revenue received from our top 5 customers in civil engineering construction business accounted for approximately 44.4%, 68.4%, 46.5% and 33.5% of our annual revenue respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Our civil engineering construction contract revenue received from our major customers, WSD, HKT Group, the Hong Kong Housing Society and Company B amounted to approximately HK\$289 million, HK\$463 million, HK\$452 million and HK\$217 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. We derived our building construction and maintenance contract revenue from our major customers (1) Company A, (2) a university in Hong Kong and (3) the Hong Kong Housing Society, which in aggregate amounted to approximately HK\$371 million, HK\$213 million, HK\$525 million and HK\$435 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. All of our work done was performed by us as main contractor during the Track Record Period. It is expected that we will continue to rely on our major customers. Given that our Group shall cease all building construction and maintenance business upon completion of TW7 Project, our operating results shall, to a material extent, depend on our Group's ability to tender for and us being awarded civil engineering works contracts by our major customers.

Although we had acquired extensive experience and established good relationship with such major customers, of which we had over 30 years of working relationship with WSD and HKT Group, through actively carrying out construction works and had been successful in securing contracts for construction and maintenance projects, with revenue recognised during the Track Record Period of an aggregate value of approximately HK\$2,965 million, there is no guarantee that we will continue to be awarded such contracts by way of tender submission in the future. Since our Group's principal source of revenue is from our

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provision of construction and maintenance of civil engineering works services, among other things, the related Government's policy, our Group's continual ability to maintain our status as an approved contractor on the List of Approved Contractors to tender for and obtain contracts for public sector works projects as well as our ability to maintain good working relationship and the delivery of quality service to our customers are essential to the sustainability of our Group's profits. Although during the Track Record Period, we did not experience any loss of work from any of such major customers, since all contracts from such major customers are normally awarded by way of tender, there can be no assurance that we will continue to be successful in securing such work contracts in the future. In the event that there is a significant reduction of work contracts from our top customers or if we fail to secure such work contracts as main contractor in the future, our business and profitability may be materially and adversely affected.

**Cessation of building construction and maintenance business by us upon completion of TW7 Project may have a material adverse effect on our business, operating results and financial condition**

During the Track Record Period, a large portion of our revenue was derived from our undertaking of building construction and maintenance works. Our building construction and maintenance contract revenue accounted for approximately 55.11%, 30.89%, 53.33% and 66.53% of our annual total revenue for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. Such revenue recognised during the Track Record Period was HK\$1,544 million, which was mainly related to MOS Project which was completed in March 2011 and TW7 Project.

Upon completion of TW7 Project which is expected by mid-2014, we will cease to undertake any building construction and maintenance works. The cessation of building construction and maintenance business by us upon completion of TW7 Project may lead to a significant reduction of works by us in future. Although we have an operating history of over 37 years in civil engineering works which is our core business and had been successful in securing contracts for civil engineering construction works, there can be no assurance that we will continue to be successful in securing such contracts in the future. Given the scale of TW7 Project, it is possible that the total revenue of our Group in the few years after the completion of TW7 Project may reduce because the contract sums of building construction works are relatively larger when compared with that of civil engineering works. If we cannot secure sufficient civil engineering construction works to a value which can make up for the reduction of revenue or profits due to the cessation of our building construction and maintenance business, there might be a material adverse effect on our business, operating results and financial condition.

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### **Expiration of the R&R Programme may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in the future**

Of the 13 significant projects that were undertaken by us as of 31 July 2013, 5 of which are part of the R&R Programme launched by WSD with a total outstanding amount yet to be recognised as revenue as of 31 July 2013 of HK\$1,144 million, which represented approximately 67.18% of the total computable outstanding amount yet to be recognised of the significant projects that were in progress as at 31 July 2013 as shown in the table headed “Projects in progress”. Such amount yet to be recognised as revenue is computed based on the difference between the total contract sum of such 5 R&R Programme projects and the amount which have been recognised as revenue in our Group’s combined financial information on or before 31 July 2013. The total amount of revenue recognised during the Track Record Period of the above-mentioned 5 R&R Programme projects in progress together with the 2 R&R Programme projects which were completed during the Track Record Period amounted to HK\$939 million during the Track Record Period.

Although WSD is expected to continue to invite tenders for new waterworks projects under the R&R Programme in the short-term future, the R&R Programme has already commenced its last stage and is expected to be completed by 2015. There can be no assurance that the Government’s budget on capital expenditure relating to the R&R Programme as well as other announced plans which are expected to generate new civil engineering waterworks opportunities, such as the new replacement and rehabilitation programme of water mains currently being planned by WSD, the establishment of a desalination plant, development of NDAs in NENT and the improvements in WSD’s sea water supply network and systems, will not be changed or be put to a halt. There is no assurance that the Government will launch new civil engineering waterworks related programmes or projects as planned or announced. There is also no assurance that the new replacement and rehabilitation programme of water mains currently under planning by WSD will eventually be executed, and even if executed, there is no certainty as to the estimated amount of the total cost that the Government will incur on such new programme. Further, even if the Government launches new waterworks civil engineering related programmes or projects as planned or announced, there is no assurance that we can be successful in being awarded with any of such contracts. The combination effect of the expiration of the R&R Programme, which may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in the future and our failure to successfully bid for any of the new waterworks civil engineering related projects may result in a significant reduction in our revenues, which can have a material adverse impact on our business prospect, profitability and operating results in the long run.

### **We are subject to the risks associated with tendering process. Our contracts are normally awarded through competitive tendering process**

The success rate of our Group in tendering projects was 7.6%, 9.1%, 8.9% and 5.9% for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively, which details are set out under the table under “Business — Tenders submitted during the Track Record Period” section of this prospectus. Our Directors believe that there has been considerable competition in the bidding for construction works among various

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construction contractors in Hong Kong. Our ability to secure contracts out of our tenders is critical to our success. There is no guarantee that we will be able to maintain our past success rate in tendering projects after Listing or that we will be able to secure new contracts from our existing or new customers. In the event that we are unable to succeed in our competitive tenders or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

**If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may realise lower than anticipated profits or incur losses on the contracts**

Our contracts are normally awarded through competitive tendering process. We need to estimate the time and costs required for potential projects in order to determine the tender price. Also, substantially all of our revenues are derived from contracts on remeasurement basis, with rates being determined by reference to our bids and substantially agreed to at the time a project is awarded to us. We are typically responsible for all of our own costs, and our ability to achieve our target profitability on any project is largely dependent on our ability to accurately estimate and control these costs. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, may result in a lower profit or even a loss on a project. As a result, we will only realise profits on these contracts if we successfully estimate our project costs and avoid costs overruns. The amount of total costs we incur on a project is affected by a variety of factors, including, among other things, fluctuations in the price of raw materials, variations in labour and equipment costs over the term of a contract and changes in project scope or conditions. Such change in cost may cause the revenue, cost and gross profit realised from a contract to be lower than our originally estimated amounts, despite any buffer we may have built into our bids for any increase in labour and material costs.

Some of the public sector contracts provide for adjustment in the base contract prices in respect of variations in the cost of construction materials and labour, which reduces some of the exposure borne by our Group. We typically are required to bear some portion of the increase, however, before we can make a claim under the adjustment provision. In any event, the adjustment provision may not cover the full increase in our costs. If our estimates of the overall risks, revenues or costs prove inaccurate, or circumstances change, or if the adjustment provision in our contracts does not cover increase in costs in full, we may experience lower profits or even losses on our contracts, which could materially and adversely affect our business, financial condition, results of operations and prospects.

From time to time, we are required to perform extra or “change order” work as directed by a customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project and specifications, or over the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer. In addition, any delay caused by the extra work may adversely impact the timely

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scheduling of other project work and our ability to meet specified contract milestone dates. We cannot assure you that we will be able to invoice and recover the cost for the extra or change order work in full or at all, which may lead to business disputes or may otherwise adversely affect our business, financial condition, results of operations and prospects.

**Our Group's business is project-based. Fee collection and profit margin depend on the terms of the work contract and may not be regular**

Our Group's business is project-based. Fee collection and profit margin significantly depend on various factors, such as the terms of the work contracts, the length of the contractual period and the efficiency of implementation of the contractual works. In this connection, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by our Group, and the profit margin and time for profit recognition depend on the terms of the work contracts and may also be irregular. If the fee collection pattern significantly deviates from the estimation of our Directors, our financial position could be adversely affected.

**Our Group is exposed to construction disputes or litigation and claims for late delivery of construction works and delivery of substandard work as well as personal injuries claims**

As main contractor, we are principally responsible for the implementation of construction projects and we may receive claims in respect of various matters from customers, sub-contractors, workers and other parties concerned with the construction from time to time. Our Group may be involved in different types of claims arising from industrial accidents or the quality or the timing of the work performed under various contracts or labour compensation in relation to works.

As regards labour compensation, employees employed in the construction sites are entitled to claim for compensation against us for injuries sustained in accidents occurring in the course of their employment under the Employees' Compensation Ordinance. They are also entitled to claims for damages against our Group for injury sustained in accidents caused by the negligence, default or omission of our agent, employees or staff under the law.

Where there is any late delivery of construction works and delivery of substandard works, we may be liable to compensate our customers for losses or damages caused. For further details regarding the risks associated with such losses or damages, please refer to the paragraph below headed "If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments which may adversely affect our business and reputation". As at the Latest Practicable Date, in so far as claims for late delivery of construction works and delivery of substandard works are concerned, we are not engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group. In respect of employees' compensation

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and personal injuries claims, there were 53 outstanding claims as at the Latest Practicable Date. These were claims made by individuals who claim to have suffered injuries at construction sites for which we are responsible. Please refer to the section headed “Business — Litigation and claims” in this prospectus.

Although we have effected insurance policies and retained moneys from our sub-contractors to cover these claims, the outcome of any claim is subject to the relevant parties’ negotiation or the decision of the court or the relevant arbitrating authorities, and the result of any of the outstanding claims may be unfavourable to us. Should such claims fall outside the scope and/or limit of our insurance coverage or moneys retained from sub-contractors, our financial position may be affected.

During the Track Record Period, no member of our Group was required to make any additional payment for settlement of claims because of insufficient coverage in the insurance policies taken out by the main contractors.

Nevertheless, there can be no assurance that the insurance policies taken out by the main contractor are at all times sufficient to cover all actual and potential claims or would not be set aside for different reasons. If a relevant member of our Group is held liable for any claim, our Group may be required to settle all the amounts falling outside the relevant policy cover. In such event, the financial position of our Group, as well as our business reputation, could be adversely affected. Further, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of business, licences and reputation. These losses, if they occur, could have a material and adverse effect on our business and results of operations. If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business and results of operations may be materially and adversely affected.

**We rely on certain key personnel and recruit professionals from a limited pool of qualified candidates who have experience in our business, and loss of these key personnel or failure to recruit and retain qualified professionals could have a material and adverse effect on our results of operations**

The existing key management team plays a significant role in the day to day operations and business development of our Group. Notwithstanding our Group’s consistent past record of senior management stability, any unanticipated departure of members of the team could have a materially adverse impact on our Group’s prospects and profitability.

Our Group is particularly reliant on our expert team of estimators, quantity surveyors, engineers and technicians for the preparation of tenders for contracts submitted to our customers. Since we obtain nearly all of our contracts for construction works through a tendering process, the ability of our Group to maintain the loyalty of our management team members is vital to our Group’s continual business operation and generation of income. Although we have good working relationships among our staff, there is no guarantee that such working relationships will be maintained in the future.

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Further, if any member of our key management team or any of our key personnel joins a competitor or begins a competing business, we may lose customers, other key professionals or staff members, and our business profitability and professional expertise in our operations could be materially and adversely affected. Competition for competent personnel in general is intense in the market where we operate our business. We cannot assure you that we will be able to maintain an adequate skilled labour force necessary for us to execute our business or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labour force on a continuous basis, our business and operation could be adversely affected and our future growth and expansions may be inhibited.

**Any failure to maintain effective quality control system in our Group could have a material adverse effect on our business and operations**

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to attract customers and secure projects. The promotion and enhancement of our reputation and brand name depend largely on our ability to provide quality and timely service to our customers. If we fail to do so or our customers no longer perceive our services to be of high quality, our brand name and reputation could be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operation.

Due to the nature of our operations, our employees or contract workers may be involved in accidents resulting in casualties from time to time. In the past, there were accidents occurred in connection with our construction projects, which resulted in persons being injured during the Track Record Period and up to the Latest Practicable Date. For more information, see the section headed “Business — Labour, Health and Safety Matters” in this prospectus. Past, existing and future negative publicity, media coverage or allegations on such accidents, whether or not accurate, may have a material adverse effect on our reputation and brand name. Although we have implemented safety policies, measures and procedures which we deem adequate on our construction sites, we cannot assure you that there will not be any further negative publicity, media coverage or allegations related to our safety management, which could materially and adversely affect our business, financial position and results of operations.

The quality of the works that we provide is critical to our success. In order to sustain such success, we need to continue to maintain an effective quality control system for our project management service and works provided to our customers. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of our quality control system to suit the ever-changing business needs, training programme as well as our ability to ensure that our quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our services, which in turn may jeopardise our reputation, reduce demands for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant

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costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

### **We are heavily dependent on sub-contractors**

We, in common with many construction companies in Hong Kong, rely, to a significant extent, on sub-contractors to assist us in completing construction projects since this minimises the need to employ a large workforce including skilled labour in different specialised areas and semi-skilled labour, and increases flexibility and cost effectiveness in carrying out contracts. All of our construction works were carried out by third party sub-contractors (other than Able Contractors which is a connected person of our Company by virtue of it being a wholly-owned subsidiary of Vantage) for the three years ended 31 March 2013 and the four months ended 31 July 2013. Our Group's five largest suppliers are our sub-contractors. Able Contractors, our largest sub-contractor, accounted for approximately 62.7%, 34.0%, 54.9% and 69.6% of the total sub-contracting fees charged to our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. The sub-contracting fees charged by our sub-contractors (three sub-contractors in total) for building construction and maintenance projects accounted for approximately 62.8% and 34.0% of the total sub-contracting fees charged to our Group for each of the two years ended 31 March 2011 and 2012 respectively. There were four and two sub-contractors for building construction and maintenance projects for the year ended 31 March 2013 and the four months ended 31 July 2013, respectively and the sub-contracting fees charged by them accounted for approximately 55.0% and 69.9% respectively of the total sub-contracting fees charged to our Group for the same period. Our Group's five largest sub-contractors in civil engineering construction business accounted for approximately 35.1%, 63.9%, 44.4% and 30.1% of the total sub-contracting fees charged to our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. We have established a system with respect to the selection and control of Independent Third Party sub-contractors, including maintaining a regularly updated list of authorised sub-contractors, and entering into agreements with them to set forth each party's rights and obligations. Nevertheless, we may not be able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff. In addition, qualified sub-contractors may not always be readily available when our needs for outsourcing arise. Notwithstanding our Group's proven good working relationship with, in particular, our established group of sub-contractors, which enhances the cost effectiveness and efficiency of our Group's operation, there is no assurance that we will be able to continue to maintain and foster such good relationships with existing and new sub-contractors in the future. If we are unable to hire qualified sub-contractors, our ability to complete projects could be impaired. Although our Directors do not foresee any difficulty in replacing its Independent Third Party sub-contractors, there is no guarantee that we can always find Independent Third Party sub-contractors with the requisite knowledge, expertise, experience and capability that meet our Group's project needs and works requirements to complete construction works in accordance with the terms of the contracts for the projects.



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In addition, the use of Independent Third Party sub-contractors does expose our Group to risks associated with either their non-performance or sub-standard performance, and risks that such third-party sub-contractors may not complete a project in accordance with its originally tendered time and cost schedules. In that event, we may be required to source these services on a delayed basis or elsewhere, or at a price higher than anticipated, which could adversely impact the profitability of our business. If a sub-contractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and business prospect, and this potentially exposes us to litigation and damages claims.

We rely on Able Contractors as our only sub-contractor for our building construction business. Although Able Contractors is a connected person and we have seconded certain staff to Able Contractors, there can be no assurance that we will be able to monitor its performance before the completion of the single remaining building construction works as directly and efficiently as with our own staff.

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

We normally receive progress payment from customers on a monthly remeasurement basis, with reference to the value of work done. Generally, the authorised person, usually the engineer or quantity surveyors employed by the customers, would issue a progress certificate certifying the work progress in the preceding month. It normally takes approximately three to four weeks for such certificates to be issued. The customers then effect payment with reference to such certificate. Payments are generally made within 30 days after the issue of the progress certificate.

A portion of contract sum, normally between 1% to 10%, is usually withheld by the customers as retention money and will generally be released upon expiry of the guaranteed maintenance period. As at 31 July 2013, approximately HK\$113 million of retention money was retained by customers in respect of our Group's projects. Please also refer to the section headed "Business — Inspection and quality assurance — Application for payment and certification" in this prospectus.

During each of the three years ended 31 March 2013 and the four months ended 31 July 2013, there was no allowance for construction revenue receivable arising from such payment practice. Our Group recorded no bad debt from such payment practice during the Track Record Period.

Delays in progress payments or release of retention money from our customers may increase our working capital needs. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts, including those arising from progress payments or release of retention money, based primarily on ageing

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and other factors such as special circumstances relating to specific customers. There can be no assurance that the retained money or any future retention money will be remitted by our customers to us on a timely basis 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 timely remittance may have an adverse effect on our future liquidity position.

**We are reliant on suppliers in supplying the requisite construction materials for carrying out our construction projects and we may be adversely affected if our suppliers fail to supply the desired materials up to the required standard or delay in their supply**

Our purchases of construction materials for carrying out our projects from our five largest material suppliers from which we purchased materials for the use of our sub-contractors together accounted for approximately 50.2%, 67.9%, 78.8% and 84.5% of our total purchase of construction materials for the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. Should there be any disruption in the supply of construction materials from our major materials suppliers, and we are unable to identify alternative sources of supply with competitive prices, sufficient quantity and satisfactory quality, our ability to deliver works of acceptable quality standards and to complete our projects on time and thereby our profitability and financial performance may be adversely affected.

Also, these material suppliers may not have sufficient capacity to meet our needs in a timely manner or in accordance with our required quality standards. Therefore, there is no assurance that we will not encounter problems with our material suppliers in the future, or that alternative material suppliers will be identified to replace unsatisfactory material suppliers. Any delays or shortages in the supply of construction materials for carrying out our works projects from our material suppliers may adversely affect our business operations and financial results.

**Labour shortages or increases in labour costs could slow our growth, harm our business and reduce our profitability**

Our businesses are labour intensive and therefore, our success depends in part upon our sub-contractors' and our ability to attract, retain and motivate a sufficient number of qualified construction workers. Qualified individuals are in short supply and competition for these workers is intense. Any future inability to recruit and retain qualified individuals may delay the completion of construction works and could result in deduction of liquidated and ascertained damages from the contract sum payable to our Group. For further details regarding the risks associated with such liquidated damages, please refer to the paragraph below headed "If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments which may adversely affect our business and reputation" in this section. Any such delays could have a material adverse effect on our business and results of operations. In addition, competition for qualified construction workers could also require us to pay higher wages, which could result in higher labour costs.

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Moreover, the minimum wage requirement in Hong Kong has increased and can continue to increase our labour costs in future. The salary level of construction workers in Hong Kong has been increasing in the past several years. We may not be able to increase our prices in order to pass these increased labour costs on to our customers for contracts without price adjustments, in which case our business and results of operations would be negatively affected.

**Our qualifications and licences from the Government are important to us as they dictate the range and size of public works in which we are eligible to participate as main contractor. Our participation in Government projects may, more likely than in the case of projects for private sector customers, draw public attention which may associate with adverse publicity**

In order to tender for public sector contracts, a contractor is usually required to be on the appropriate List of Approved Contractors. If the capability, performance, tendering record or financial standing of a particular contractor is found to be unsatisfactory by the Government, the Government may remove a contractor from such list or take other regulatory actions against the contractor such as revocation, suspension, extending probationary period, downgrading to probationary status, or demotion to a lower group in respect of all or any work category in which the contractor is listed. In the event of a withdrawal, revocation or downgrading, there would be a detrimental impact on our Group's prospects. In addition, any changes or alterations in the licensing requirements and/or standards for admission into the List of Approved Contractors may require us to make necessary corresponding adjustments of whatever kind and nature to meet any new requirements and/or standards resulting from such changes, thus requiring our Group to incur extra costs. Please see the section headed "Regulatory Overview" in this prospectus for more information on the licence requirements applicable to us. If any of our licences becomes revoked, suspended, downgraded or demoted, it may seriously prejudice our Group's ability to tender for and be awarded contracts for public construction works and thereby reduce our turnover and profit.

If a contractor has violated any law or regulation, the relevant Government authority may take disciplinary actions against the contractor, such as amendment, variation (e.g. demotion of licences to a lower grade), suspension and revocation of licences. Further, in awarding contracts to a contractor, the Government authorities will take into account a contractor's performance and track record and whether disciplinary action has been taken against it.

Our participation in Government projects may, more likely than in the case of projects for private sector customers, draw public attention. Such publicity may be adverse and there is no assurance that any such publicity, whether adverse to our Company or not, will not be overstated. Since those projects are publicly funded, changes in government budget and policy considerations could result in delays or changes to these projects. In addition, disputes with public bodies may last for considerably longer periods of time than for those that occur with private sector counter parties, and payments from the public bodies may be delayed as a result. All these risks may affect our performance of, and collection on, contracts with public bodies, and may have a material adverse effect on our results of operations.

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**If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments, which may adversely affect our business and reputation**

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contract. If we fail to complete a project in a timely manner resulting in a breach of our contractual obligations, we may be liable to compensate our customers for losses or damages caused by the delay. For the projects undertaken by our Group, it is common for a clause for payment of damages for non-completion of works to be included in the contract made between our Group and the customer involved. Such a clause usually provides that in case of delay in the completion of works, a sum of liquidated damages calculated on the basis of a fixed sum of money per day (as stated in the contracts) will have to be paid by our Group to the customer for the period during which the works so remain incomplete. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for construction materials used. Since there is always a risk that construction projects undertaken by our Group may not be completed in accordance with the pre-set time schedule, our Group is subject to the risk of being claimed for the said liquidated damages when a construction project undertaken by our Group is not completed on time. Such claims for liquidated damages when construction project undertaken is not completed on time will affect the profitability of our Group if no extension of time is granted by the engineer as the customer is entitled to deduct such liquidated damages from the contract sum under the relevant contract. The effect to our Group depends on the number of days of construction work extended. Further, any failure on our part to complete a project in a timely manner could harm our reputation in the industry and hinder our ability to win future contracts and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, we may be liable to compensate our customers for any losses sustained by them if any of our employees, contract workers or installation service providers do not complete projects in accordance with the terms specified in the relevant contracts. These litigation costs, together with the payment of damages, could adversely affect our profitability and financial performance.

**Our short-term operating results may not be indicative of our long-term operating results**

The durations of our construction contracts are relatively long, typically spanning approximately 12 to 60 months. Revenue from ongoing contracts is usually recognised over time in subsequent years. Therefore, our future results may fluctuate in connection with our entry into new contracts. Additionally, our profitability may not be in line with the progress of the project. The completion of large projects may significantly impact profitability for the year, which may result in substantial fluctuations of our profitability from year to year. Accordingly, there can be no assurance that our short-term operating results are indicative of our long-term operating results.

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### **Our sub-contractors may employ illegal foreign workers or may be in breach of laws or requirements**

Since our Group usually acts as the main contractor in construction projects which we undertake, we typically appoint sub-contractors to carry out the various specific works involved. Although our Group's major role is to provide overall project management and supervision over those sub-contractors and we have implemented system and procedures to prevent the employment of illegal foreign workers or the breach of laws or requirements by our sub-contractors, there is no assurance that the sub-contractors will always comply with the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) and refrain from employing illegal foreign workers or not be in breach of laws or requirements. As such, there is a risk that we, as the main contractor, may be liable to payment of fine and/or other statutory punishments when illegal foreign workers employed by the sub-contractors are found to be working in the construction sites managed by our Group or that sub-contractors are in breach of laws or requirements.

### **Our levels of cashflow may fluctuate**

As far as a single project is concerned, net cash outflow is normally recorded at the early stage of construction when we are required to pay the setting up expenditures. As explained in the paragraph headed "Business — Inspection and quality assurance — Application for payment and certification" in this prospectus, progress payments will only be received after the construction commences and after the works and payments are certified by our Group's customer. Although the cash flow for a particular project may turn from net outflow at the early stage gradually into accumulative net inflow as the construction progresses, if we fail to manage the fluctuations in our cashflows from projects appropriately, our business, financial condition and results of operations could be materially and adversely affected.

### **The interests of our Controlling Shareholders may conflict with the interests of our Group's public shareholders**

Immediately upon the completion of the Share Offer, Vantage, one of our Controlling Shareholders, whose shares are listed on the Stock Exchange, will own approximately 75% of our enlarged issued share capital, assuming the Offer Size Adjustment Option is not exercised. Accordingly, our Controlling Shareholders will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders' meetings in matters that are significant to us and our public Shareholders, including, but not limited to, matters relating to the following:

- mergers or other business combinations;
- acquisition or disposition of assets;
- issuance of any additional Shares or other equity securities;
- timing and amount of dividend payments; and
- management of our Company.

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The interest of our Controlling Shareholders may not be the same as, and may conflict with, those of our public Shareholders. Our Controlling Shareholders may take actions, and exercise influence that favour their interests over the interests of us or our public Shareholders. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders.

Furthermore, if other businesses affiliated with our Controlling Shareholders compete with us for qualified construction workers and other resources, it could materially and adversely affect our business operations. Any actual or perceived competition from our Controlling Shareholders' outside businesses could have a material adverse effect on our business operations and investors' confidence in us.

### **RISKS RELATING TO THE INDUSTRY**

**We face significant competition in the construction market, and failure to compete efficiently could materially and adversely affect our business**

We operate in a highly competitive industry in which our competitors include a number of approved contractors that comprise of various global, Hong Kong and China-based companies that provide services similar to ours. Some of our competitors may have stronger brand names, greater access to capital, longer operating histories, longer and more established relationship with their customers, and greater marketing and other resources than we do. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets provided that they have the appropriate skills and are granted the requisite licences, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing services that gain wider market acceptance than our service does. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

For our business, our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise and timely completion of the contracts to meet customers' schedules. There can be no assurance that the competition in the tendering process will not intensify in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We are exposed to a variety of project risks which may have a material and adverse impact on the returns of our Group**

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. It often takes many months to complete projects such as those undertaken by our Group. The time taken and the costs involved in completing a project can be adversely affected by many factors, including shortages and escalating costs of materials and labour, disputes

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with sub-contractors, labour disputes, adverse weather conditions, natural disasters, accidents, changes in government priorities or regulations, and other unforeseen problems and circumstances. Any of these factors could give rise to delays in the completion of a project and result in cost overruns or even unilateral termination of projects by customers. Such losses in contract time and costs overruns, some of which are not recoverable under the terms of contracts with customers, may reduce the profitability of a project. Delays in the process of obtaining any specific licences, permits or approvals from government agencies or authorities 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 pre-set time schedules, specifications and quality standards may result in disputes, contract termination, liabilities, reduced efficiency and/or lower returns than anticipated on the construction project concerned, and may adversely affect our Group's ability to fetch further construction projects contracts in the future. In construction works and projects, increasing emphasis placed by the government and regulatory authorities on environmental and safety issues, whether on sites or in respect of the completed works, may increase construction costs and have a material and adverse impact on the returns of our Group.

**We are subject to a number of applicable ordinances and regulations in relation to labour, health, safety and environmental protection and liability. Changes in, or any failure to comply with, applicable laws or regulations may adversely affect our business and our growth strategy**

Our relationships with employees are governed by various labour laws and regulations in Hong Kong, including minimum wage requirements, breaks, overtime pay, fringe benefits, safety and health requirements, working conditions and workers' compensation rates.

Besides, the construction works undertaken by our Group is subject to the regulations and guidelines issued by the Environmental Protection Department of the Government which apply to the operation of all construction projects in Hong Kong, governing, inter alia, noise control, air and water pollution and disposal of waste. For details, please refer to the section headed "Regulatory Overview" in this prospectus. Any non-compliance may lead to fines and/or suspension of works and/or disciplinary actions by the relevant government authorities, including revocation, suspension or variation of licences held by our Group. Hence, any breaches of applicable ordinances and regulations may adversely affect the business prospect of our Group.

During the Track Record Period, our Group has not been subject to any material claim for breach of environmental, safety and health laws, regulations and requirements. For the three years ended 31 March 2013 and the four months ended 31 July 2013, the amount of fines our Group was subject to as a result of breach of ordinances in Hong Kong in relation to environmental, safety and health applicable to our Group (including the fines relating to the breaches of the Public Health and Municipal Services Ordinance and the Factories and Industrial Undertakings Ordinance mentioned below) was HK\$2,800, HK\$2,500, HK\$21,000 and nil respectively. For the three years ended 31 March 2013 and the four months ended 31 July 2013, the amount of fines our Group was subject to as a result of breaches of the Public Health and Municipal Services Ordinance was HK\$2,800, HK\$2,500,

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nil and nil respectively. Such breaches related to Sections 27(3) and 150 of the Public Health and Municipal Services Ordinance and involved larvae of mosquito found in the relevant construction site. For the same period, the amount of fines our Group was subject to as a result of breaches of the Factories and Industrial Undertakings Ordinance was nil, nil, HK\$21,000 and nil respectively.

There can be no assurance that the legal and regulatory environment under which we operate our business will not become more stringent or complex in the future. We may have to incur more costs to comply with any changing laws and regulations in relation to the construction industry in Hong Kong. As a result, our business and results of operations could be adversely affected.

**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. Any policies that may have a negative impact upon investment sentiment in Hong Kong may, in turn, have an adverse effect on the general economy of Hong Kong and hence the prospects of the construction industry in Hong Kong. The future growth and level of profitability of the construction 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 Government's spending patterns on the construction industry in Hong Kong and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of construction projects from the public sector, private sector or institutional bodies.

The Hong Kong economy, however, has experienced considerable volatility since late 1997. Being one of Hong Kong's primary economic sectors, the construction industry has declined as a result of Hong Kong's general economic downturn. Although a number of infrastructure projects are in the pipeline as set out in the section headed "Industry Overview — Perspective of public works in civil engineering" in this prospectus, these projects are susceptible to delays and the availability of Government funds. There are also many other factors affecting the construction industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, a reduction in the capital expenditure by the Government on infrastructure projects, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations and profits could be materially and adversely affected. In addition, we have no experience in operating businesses in other places, and may have difficulties in relocating our business to other geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Hong Kong, our business may be materially and adversely affected.



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### RISKS RELATING TO THE SHARE OFFER

**There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained**

Prior to the Share Offer, no public market for our Shares existed. Following the completion of the Share Offer, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will be developed or be sustained after the Share Offer. In addition, we cannot assure you that our Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among Mizuho (for itself and on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of Shares could be materially and adversely affected.

**The trading prices and volume of our Shares may be volatile, which could result in substantial losses to you**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares; changes in securities analysts' (if any) estimates of our financial performance; investors' perceptions of our Group and the general investment environment; changes in laws, regulations and taxation systems which affect our operations; general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors which securities are listed on the Stock Exchange may affect trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies; involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

**Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins**

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, it is expected that our Shares will not commence trading on the Stock Exchange until on the sixth Business Day after the pricing date after they are delivered. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

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### **Substantial future sales of our Shares in the public market could adversely affect their trading price**

Sales of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of the Shares by any of the major Shareholders may materially affect the prevailing market price of the Shares. In addition, these disposals may induce more difficulties for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our liability to raise further capital.

We cannot predict what effect, if any, significant future sale will have on the market price of our Shares.

### **Investors in the Share Offer may experience dilution if we issue additional Shares in the future**

In order to expand our business, we may consider issuing additional Shares in the future. Investors of our Shares may experience immediate dilution in the net tangible asset book value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the then net tangible asset book value per Share.

### **Historical dividends are not indicative of future dividends**

Prior to the Reorganisation, EXCEL declared a one-off and non-recurring dividend of HK\$60 million to the then shareholder, Great Jump on 21 November 2013. On the same day, Great Jump declared the entire HK\$60 million as dividend to the then shareholder, Profit Chain. Such dividend will be funded by using our internal resources and paid before the Listing in December 2013. Investors in the Share Offer and persons becoming our Shareholders after the Listing will not be entitled to such dividend. After completion of the Share Offer, our Shareholders will be entitled to receive dividends only when declared by our Board. Save as aforesaid, no dividend has been paid or declared by companies comprising our Group or our Company during the Track Record Period and from 1 August 2013 up to the Latest Practicable Date. Such historical dividends should not be used by the potential investors as a guide to our future dividend policy. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The past dividend rates should not be used as a reference or basis to determine the amount of dividends in the

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future. The amount of future dividends to be declared by our Company will depend on factors such as our profitability, financial condition, business development requirements, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and Cayman Islands laws, including the approval of our Shareholders and our Directors.

**Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified**

Certain facts, forecast and other statistics in this prospectus have been derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, Mizuho, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

**Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements that are “forward-looking” and indicated by the use of forward-looking terminology such as “believe”, “intend”, “anticipate”, “estimate”, “plan”, “potential”, “will”, “would”, “may”, “should”, “expect”, “seek” or similar terms. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, although our Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the enclosure of forward-looking statements in this prospectus should not be regarded as representations by us that the plans and objectives will be achieved, and investors should not place undue reliance on such statements.

**We strongly caution you not to place any reliance on any information contained in press articles or media regarding our Group or the Share Offer**

Prior to the publication of this prospectus, there may be press and media coverage regarding our Group or the Share Offer, which may include certain financial information, financial projections and other information about our Group that do not appear in this prospectus. We have not authorised the disclosure of any such information in the press or media. We do not accept any responsibility for any such press or media coverage or the accuracy or completeness or reliability of any such information. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts

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with the information contained in this prospectus, we expressly disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.