This section and elsewhere in this prospectus contain information and statistics primarily relating to the industry we operate in and related industry sectors and in particular in Hong Kong. We have derived such information and statistics from various official Government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from the government official publications, the information and statistics have not been independently verified by our Company, the Bookrunner, the Sole Sponsor, the Lead Manager, the Underwriters or their respective advisers or affiliates or any other party involved in the Share Offer and no representation is given as to its accuracy, completeness or fairness, and accordingly, the information contained herein should not be unduly relied upon.

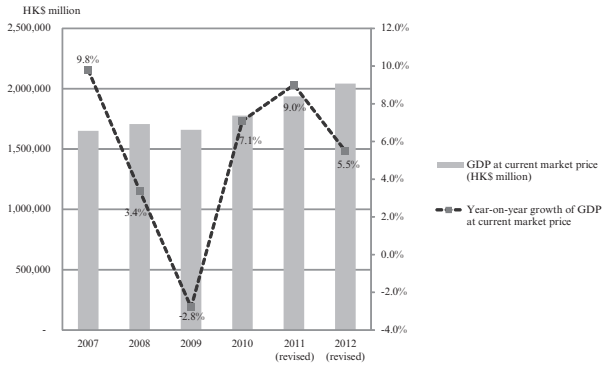
OVERVIEW

Overview of the Hong Kong economy

Construction works projects are commissioned during both the times of economic downturn and boom.

Despite the adverse impact of the global financial crisis in 2008, the GDP of Hong Kong has demonstrated an overall upward trend over the past six years from approximately HK$1,650.8 billion in 2007 to approximately HK$2,041.9 billion in 2012, representing a CAGR of approximately 4.35% from 2007 to 2012 according to the CSD. The global financial crisis caused the GDP growth rate to drop from about 3.4% in 2008 to -2.8% in 2009. The total GDP value declined from about HK$1,707 billion in 2008 to about HK$1,659 billion in 2009. The economy of Hong Kong rebounded quickly in 2010 at GDP annual growth rate of about 7.1%. Apart from an expanding domestic market due to increasing intra-regional production activities and growing number of tourists from China, the ten major infrastructure projects announced by the Government in 2007 has also supported the GDP growth in Hong Kong.

The following chart shows the GDP and GDP growth rate of Hong Kong for the periods specified.

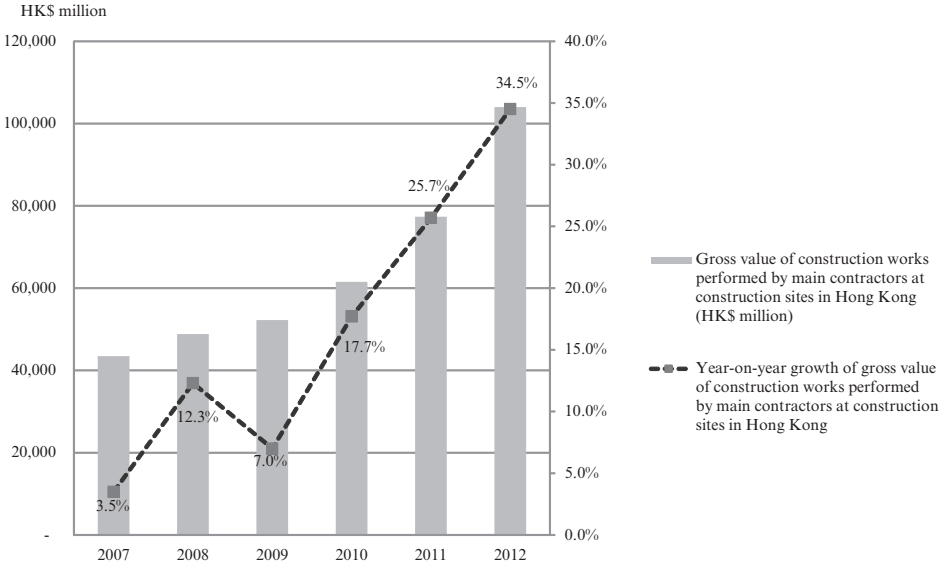


Source: The website of CSD — www.censtatd.gov.hk, August 2013

Construction activities in Hong Kong

As boosted by the ten major infrastructure projects announced by the Government in 2007, the construction industry has enjoyed a steady growth in the past few years. The gross value of construction works at construction sites increased by approximately HK$58.4 billion from approximately HK$43.5 billion in 2007 to approximately HK$104.0 billion in 2012, representing a CAGR of approximately 19.06% from 2007 to 2012 which significantly outperformed the CAGR of the GDP of Hong Kong for the same period.

The chart below shows the gross value of construction works at construction sites in Hong Kong and its growth rate for the periods specified.



Source: The website of CSD — www.censtatd.gov.hk, September 2013

Value added of the construction industry, being a measure of the construction industry's output to the economy, is determined as the sum of construction works performed and other income, less the sum of payment for sub-contract works rendered by fee sub-contractors, consumption of materials and supplies, fuels, electricity and water, maintenance services and miscellaneous operating expenses (excluding interest payments).

Value added of the construction industry grew from approximately HK$42.4 billion in 2007 to approximately HK$65.4 billion in 2011, which represented a CAGR of approximately 11.42% from 2007 to 2011. Furthermore, the contribution of the construction industry to the GDP of Hong Kong has also grown significantly in the past few years. Whilst the value added of the construction industry represented approximately 2.57% of the GDP of Hong Kong in 2007, it has grown to represent approximately 3.38% of the GDP of Hong Kong in 2011. The following table illustrates the significance of the construction industry to the economy of Hong Kong analysed by certain information of the construction industry from 2007 to 2011.

Year	Number of establishments[1]	Number of persons directly engaged *('000)*	Total labour force *('000)*	Share of labour force	Value added[2] *(HK$ million)*	GDP *(HK$ million)*	Value added as a % to GDP
2007	19,399	114	3,622	3.15%	42,441	1,650,756	2.57%
2008	20,100	136	3,637	3.74%	49,929	1,707,487	2.92%
2009	20,216	135	3,660	3.69%	51,106	1,659,245	3.08%
2010	20,506	147	3,631	4.05%	56,383	1,776,783	3.17%
2011	23,417	170	3,703	4.59%	65,406	1,936,083	3.38%

Notes:

(1) An establishment is defined as an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location.

(2) Value added = Gross value of construction works performed + Other income – Payment for sub-contract works rendered by fee sub-contractors – Consumption of materials and supplies; fuels, electricity and water, and maintenance services – Miscellaneous operating expenses (excluding interest payments)

Source: The website of CSD — www.censtatd.gov.hk, August 2013

CONSTRUCTION INDUSTRY

Structure of construction industry

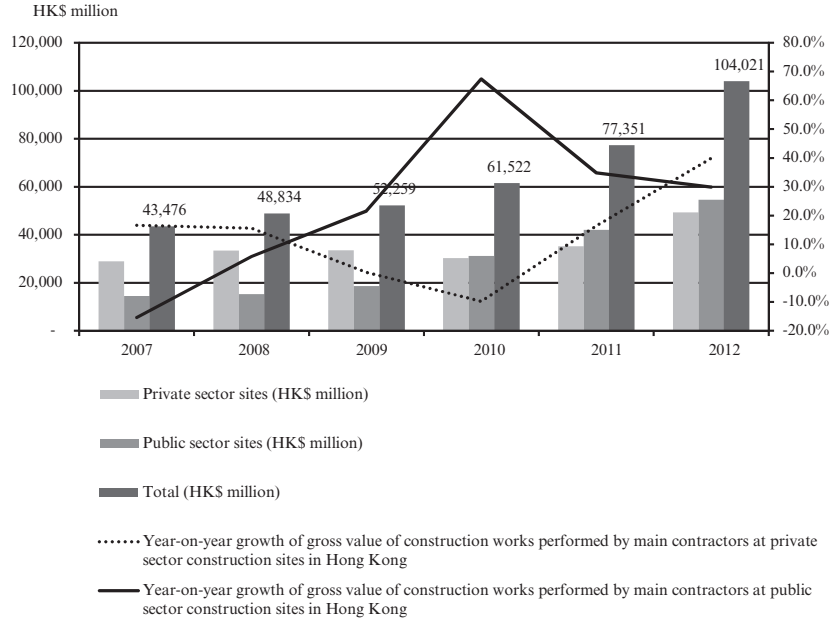
The construction industry in Hong Kong can broadly be divided into the following two categories:

- Building construction: erection of architectural superstructures, new building construction, alteration and addition works, fitting out, repair and maintenance for buildings, where both the Government and private property developers and owners are active participants; and

- Civil engineering construction: waterworks, roads and drainage works, landslip preventive and remedial works to slopes and utilities works, where the Government is the predominant participant.

Apart from the above works nature, the construction industry can also be divided into public and private sectors, depending on whether the contracting party is a private company or the Government. Due to the increase in capital expenditure spent by the Government in infrastructure projects in the past few years, the gross value of construction works at public sector construction sites have outgrown those in the private sector. The gross value of construction works at public sector construction sites increased by approximately HK$40.2 billion from approximately HK$14.5 billion in 2007 to approximately HK$54.7 billion in 2012, representing a CAGR of approximately 30.39% from 2007 to 2012. Such growth rate has significantly outperformed the CAGR of the gross value of construction works at all construction sites as well as at private sector construction sites for the same period.

The chart below shows the gross value of private and public sector construction works at construction sites in Hong Kong and their respective growth rate for the periods specified.



Source: The website of CSD — www.censtatd.gov.hk, September 2013

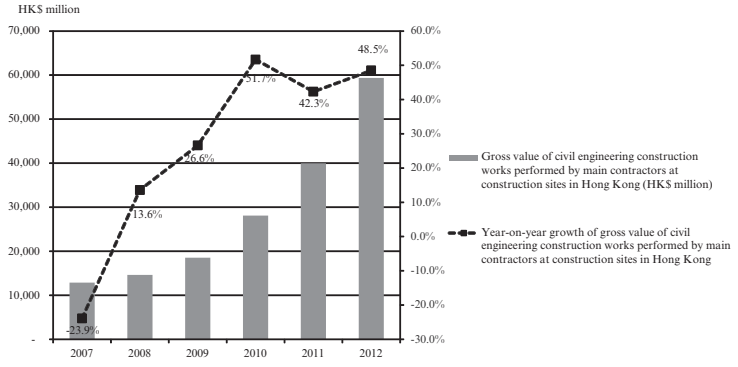
As set out in the section headed "Relationship with Controlling Shareholders" in this prospectus, for ensuring clear delineation of business activities between our Group and the Retained Vantage Group after the Spin-off, our Group will focus on civil engineering construction business which is our core business, and shall cease to engage in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014. After Listing, our Group will no longer record any revenue and profit from building construction and maintenance business other than from TW7 Project.

Accordingly, our Directors believe that the outlook of the building construction sector in Hong Kong would have less influence on our Group's prospects after Listing. As such, we only set out industry information below relating to civil engineering construction sector in Hong Kong, but not building construction sector in Hong Kong.

CIVIL ENGINEERING CONSTRUCTION

Growth of civil engineering construction sector

Benefited by the Government's strategy of promoting economic growth through infrastructure development, the civil engineering construction sector (which our Group's business is principally engaged as described in this prospectus) has experienced an upward trend from 2007 to 2012. The gross value of civil engineering construction increased by approximately HK$46.4 billion from approximately HK$12.9 billion in 2007 to approximately HK$59.3 billion in 2012, representing a CAGR of approximately 35.73% from 2007 to 2012 according to the official website of CSD. The following chart shows the gross value of civil engineering construction performed by main contractors at construction sites in Hong Kong and its growth rate for the periods specified.



Source: The website of CSD — www.censtatd.gov.hk, September 2013

Note: The nature of construction activities in the above chart represented "site formation and clearance", "piling and related foundation works" and "civil engineering construction".

The civil engineering construction sector comprises predominantly public sector works as infrastructures are primarily the responsibility of the Government. The table below sets out the number of construction sites and manual workers engaged by the public and private sectors in the civil engineering construction industry in Hong Kong during the period from September 2010 to March 2013:

Civil engineering construction sector

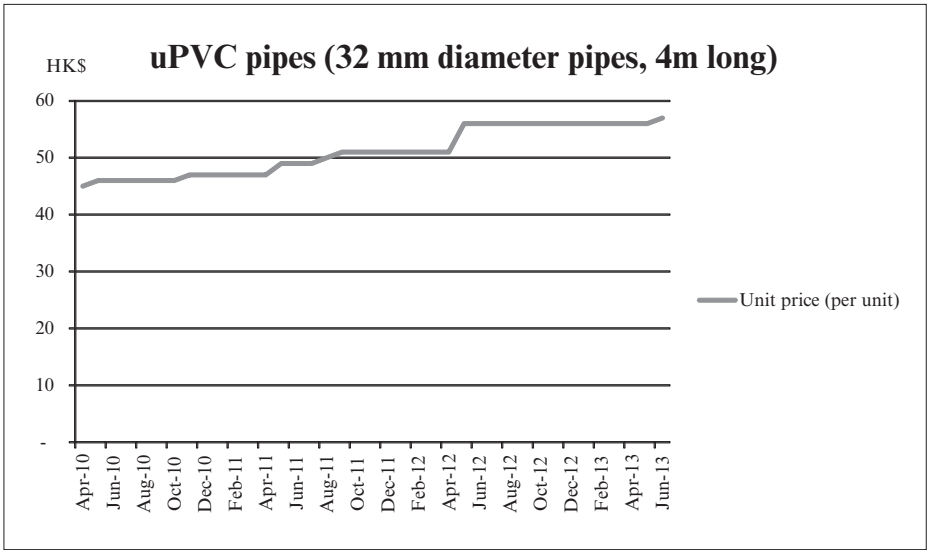
	September 2010	March 2011	September 2011	March 2012	December 2012	March 2013
Number of construction sites:						
— Public	287	305	296	309	297	327
— Private	118	78	85	72	91	79
Total	405	383	381	381	388	406
Number of manual workers engaged at sites:						
— Public	14,115	16,885	17,279	20,810	22,179	25,159
— Private	1,873	1,068	1,254	1,372	1,359	1,055
Total	15,988	17,953	18,533	22,182	23,538	26,214

Source: The website of CSD — www.censtatd.gov.hk, September 2013

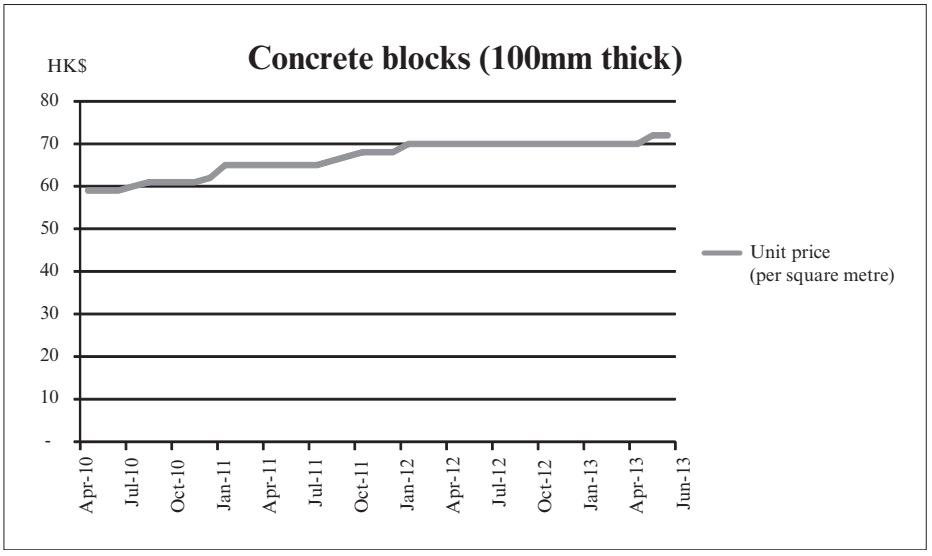
Historical trend of prices of principal construction materials and labour costs used in our projects

The below charts show the historical price movement of the principal construction materials, namely pipes and fittings, concrete and steel, and labour costs used in our projects, from April 2010 to June 2013.

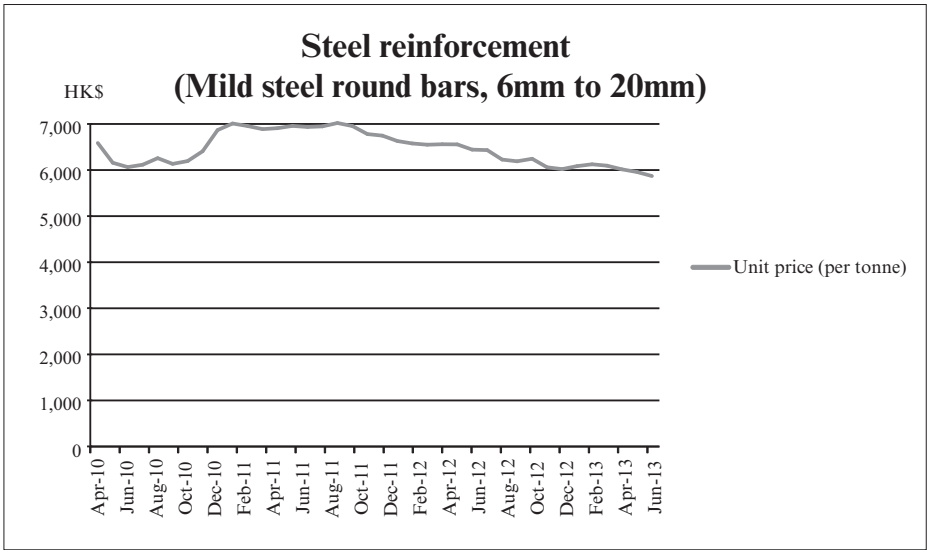
Monthly wholesale price of uPVC pipes

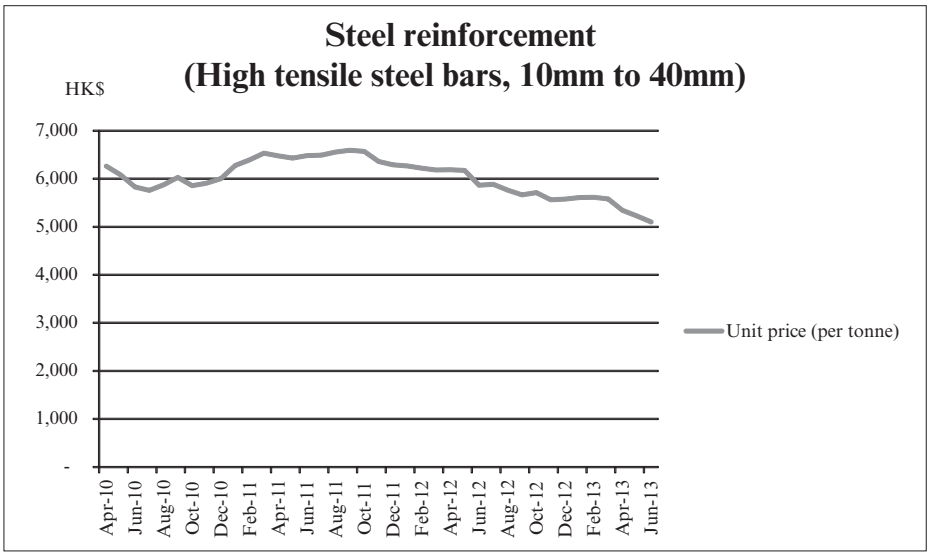


Monthly wholesale price of concrete blocks



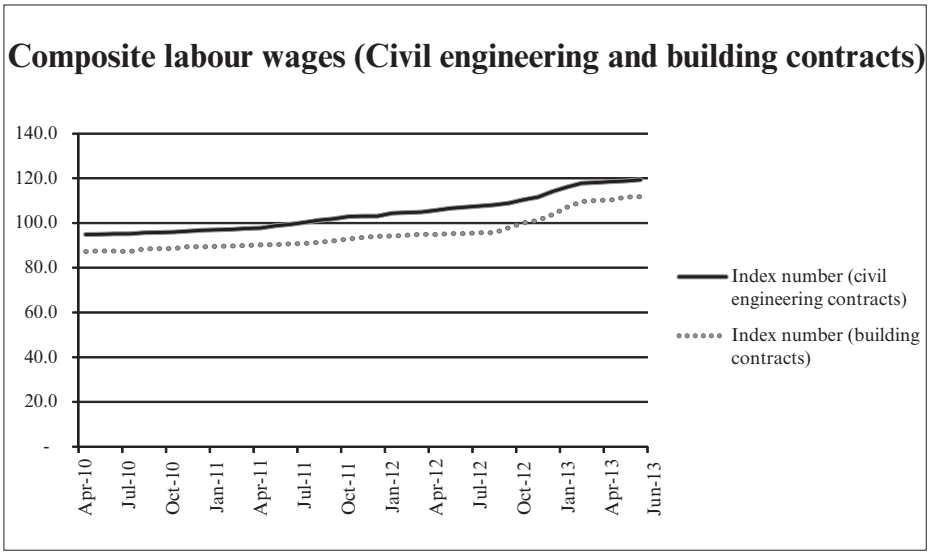
Monthly wholesale price of steel reinforcement





Source: The website of CSD — www.censtatd.gov.hk, September 2013

Monthly index numbers of composite labour wages (for civil engineering contracts and building contracts respectively)



Source: The website of CSD — www.censtatd.gov.hk, October 2013

The average wholesale price of uPVC pipes increased from approximately HK$45 per unit from April 2010 to approximately HK$56 per unit in May 2012 and stayed steady at approximately HK$56 to HK$57 per unit till June 2013. From April 2010 to June 2013, the average wholesale price of concrete blocks increased steadily from approximately HK$59 per square metre to approximately HK$72 per square meter. From April 2010 to June 2013, the composite labour wages for civil engineering contracts and building contracts increased

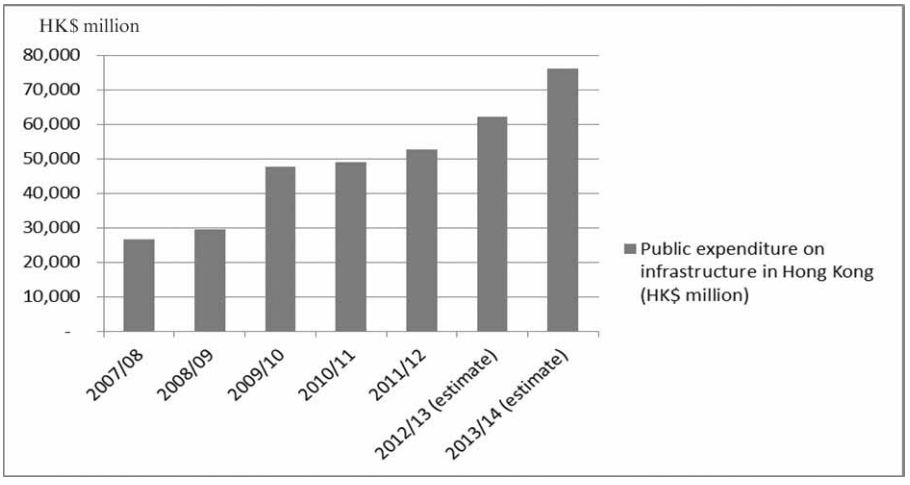
steadily by approximately 25.7% and 28.1%. The general increasing trends in the average wholesale prices of such materials and labour costs were due to, among other factors, the relatively strong demand in construction and relatively higher inflation in Hong Kong as well as recovery of commodity prices.

Due to impact from global financial crisis, the average wholesale price of steel reinforcement (mild steel round bars, 6mm to 20mm) decreased from HK$6,885 per tonne in April 2010 to approximately HK$6,064 per tonne in July 2010 and then started increasing substantially back to a level of approximately HK$7,000 per tonne until October 2011 as a result of recovery of the global economy. It then started decreasing to approximately HK$5,870 per tonne in June 2013 mainly due to the impact of European debt crisis in 2011. The average wholesale price of steel reinforcement (high tensile steel bars, 10mm to 40mm) followed a similar trend. It decreased from approximately HK$6,263 per tonne in April 2010 to HK$5,758 per tonne in July 2010 and then started increasing substantially back to a level of approximately HK$6,600 per tonne until October 2011, and afterwards started decreasing to approximately HK$5,099 in June 2013.

Perspective of public works in civil engineering

As the Government is committed to implement the policy objective of promoting economic development through investment in infrastructure development, such policy has brought sustained impetus to the construction industry and the economy of Hong Kong. With the commencement of various major infrastructure projects, the expenditure on capital works has risen progressively from approximately HK$26.6 billion in 2007/08 to approximately HK$52.5 billion in 2011/12. According to the Government's Budget 2013/14, it is estimated that capital works expenditure will increase to over HK$70 billion for each of the next few years since major infrastructure projects are entering their construction peaks, with an expected increase of approximately 44.9% as compared to the amount in 2011/12.

The following graph sets out the actual and estimated public expenditure on infrastructure in Hong Kong from 2007/08 to 2013/14:



Source: Hong Kong Annual Digest of Statistics 2012 & Government's Budget 2013/14

In the policy address of 2007/08, the Chief Executive of Hong Kong announced the undertaking of ten major infrastructure projects to boost economic activities and improve the living environment in Hong Kong. They include (1) transportation infrastructure — South Island Line; Shatin to Central Link and the Tuen Mun Western Bypass and Tuen Mun-Chek Lap Kok Link; (2) cross-boundary infrastructure projects — The Guangzhou-Shenzhen-Hong Kong Express Rail Link; Hong Kong-Zhuhai-Macao Bridge; Hong Kong-Shenzhen Airport Co-operation and Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop; and (3) New Urban Development Areas — West Kowloon Cultural District; Kai Tak Development Plan and NDAs.

Opportunities from major infrastructure projects

Land development of NDAs

Due to the shortage in the supply of residential flats in Hong Kong, the Chief Executive of Hong Kong, in his policy address of 2013, has introduced various plans to increase the supply of land in the future. Amongst other things, the Government has announced that it will push forward the development of NDAs to address the long-term land supply issue.

The Planning and Development Study on NENT commissioned in 1998, identified Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling as suitable NDAs.

To initiate the implementation of these NDAs, the CEDD and the Planning Department ("**PlanD**") of the Government jointly commissioned The North East New Territories New Development Areas Planning and Engineering Study (the "**Study**") in June 2008. The results of the Study were announced on 4 July 2013. According to the press release of the Government dated 4 July 2013, the Government will first proceed with two NDAs in Kwu Tung North and Fanling North. The number of housing units to be provided in the new extension areas will increase by about 13,400 from about 47,300 to 60,700 to accommodate 174,900 people, more than the 53,800 units originally planned for the three NDAs in the NENT.

To tie in with future development, the NDAs will be developed in phases. The detailed design of works is scheduled to commence as early as in 2013. Construction works is scheduled to commence in 2017 and will be completed progressively from 2022 for the first population intake. Other major works will commence in 2 to 3 years after the commencement of the advance works. The entire NENT NDA project is expected to be completed by 2031.

Use of underground space and cavern development

The CEDD, with the support of the PlanD, also commissioned the study on the development of underground spaces aiming at promoting the enhanced use of rock caverns in March 2010. This study explored the opportunities to enhance the effective use of land resources in Hong Kong from a new perspective through the planned development of underground space. The study was completed in March 2011.

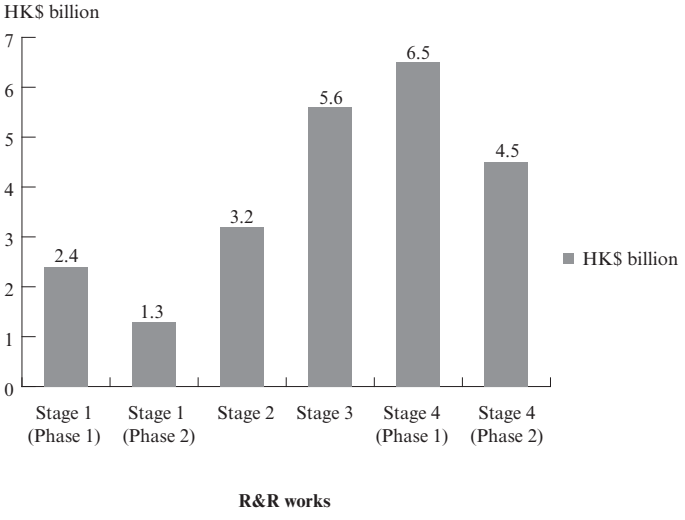
To maintain the impetus of the cavern development initiative, CEDD commenced a new study on the "Long-term Strategy for Cavern Development" in September 2012 to formulate a long-term strategy for cavern development. Moreover, the potential of developing underground spaces in the urban areas will be further explored. This includes studying the possibility of linking up the underground spaces of existing or planned structures in the urban areas, such as the underground shopping street is proposed to connect Kai Tak with Kowloon City and San Po Kong with future Kai Tak Station.

Opportunities from waterworks

R&R Programme of water mains

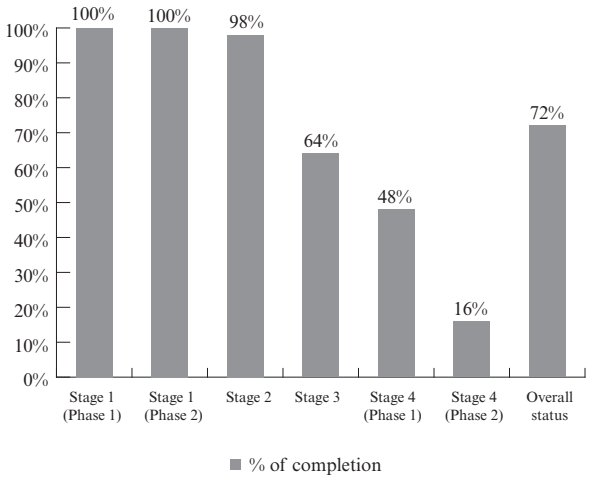
According to WSD, the fresh water and salt water supplies in Hong Kong are provided through a network of about 7,800 kilometres of water mains. Most of these water mains are approaching the end of their service life as substantial portion of them were laid more than 30 years ago. As a result of the ageing problem, WSD has implemented a cost-effective management plan for the water supply network which started from 2000. It is a comprehensive and systemic programme to replace and rehabilitate about 3,000 kilometres of aged water mains in 15 years to the existing water supply network.

The total estimated cost of the R&R Programme is approximately HK$23.6 billion and the programme is divided into four stages. The chart below sets out the estimated costs in individual stages of the programme:



Source: The website of WSD — www.wsd.gov.hk, August 2013

Progress works in respect of various stages of the R & R Programme as of June 2013 is presented in the table below:



Source: The website of WSD — www.wsd.gov.hk, August 2013

Accordingly, as of June 2013, the Government is expected to further incur approximately HK$9.2 billion (being approximately 39% of the estimated total cost of HK$23.6 billion) to complete the R&R Programme.

According to WSD, the R&R Programme is expected to complete by 2015. However, a new replacement and rehabilitation programme of water mains is being planned by WSD for implementation after the current R&R Programme is completed, according to the Report on the Examination of the Estimates of Expenditure 2013 to 2014 issued in July 2013 by the Finance Committee of the Legislative Council of Hong Kong.

Further, in the Government's 2013/14 Budget, the Government has also announced that it will continue to carry out infrastructure works such as improvement of fresh water supply to Cheung Chau, Kai Tak development (stages 3A and 4), water supply to Pak Shek Kok reclamation area and reconstruction and rehabilitation of Kai Tak nullah from Tung Kwong Road to Prince Edward Road East. According to the Report on the examination of the Estimates of Expenditure 2013 to 2014 issued in July 2013 by the Finance Committee of the Legislative Council of Hong Kong, the Secretary for Development will, in the coming year, be seeking funding approval for different types of projects, including Kai Tak development (stages 3A and 4) at an estimated expenditure of HK$2.3 billion, reconstruction and rehabilitation of Kai Tak nullah from Tung Kwong Road to Prince Edward Road East at a cost of HK$1.3 billion, and fresh water supply to Pak Shek Kok reclamation area, Tai Po — Stage 2 at a cost of HK$160 million. In addition, the expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities — part 2 works at an estimated expenditure of HK$6.2 billion has already commenced in January 2013.

Long term maintenance programme

WSD from time to time launches term contracts in respect of maintenance of water supply systems to approved contractors. For the provision of water supply services and maintenance of the relevant facilities, WSD divides Hong Kong into several districts and in each district, the maintenance of waterworks installations is fully covered by the relevant term contract. The maintenance contracts offered by WSD are usually for a term of three years. Works orders instructed by WSD during the term of the contract will usually cover the maintenance of waterworks installations, such as catchwaters, water mains, pumping stations, service reservoirs, treatment works, watercourses and all the associated construction works in the district. The awarded contractor is also required to manage the maintenance works to the waterworks installations on behalf of WSD in emergency situation.

Improvement and upgrading of water treatment facilities

WSD also undertakes to renew, upgrade and expand the water supply infrastructures to meet the new demand and to improve the water supply system. This includes the construction of service reservoirs, construction/upgrading of pumping stations and main laying.

Alternative water resources to accommodate future demand

Hong Kong cannot acquire all of its water resources locally to support growth and development due to its geography and population reasons. Apart from Dongjiang water supplies, WSD is constantly looking for viable water source alternatives that will become valuable sources of water in the long run.

According to the WSD Annual Report, in June 2012, the Finance Committee of Legislative Council of Hong Kong approved the funding of HK$34.3 million for a feasibility study into the establishment of a desalination plant at 10 hectare site at Tseung Kwan O with an initial output capacity of 50 million cubic metres per annum, with provisions for future expansion to an ultimate capacity of 90 million cubic metres per annum. This will meet about 10% of Hong Kong's fresh water demand. According to WSD, the study is target to be completed by 2014 and the planned commissioning date for the desalination plant is 2020, subject to the completion of statutory and financial procedures.

Improvement in sea water network and systems

According to the WSD Annual Report, WSD is currently extending the sea water supply network and improving the existing sea water systems. There are plans for implementation of a sea water supply system for Pok Fu Lam, Yuen Long and Tin Shui Wai while those for an extension to the existing system in the Tung Chung area have been finalised. The sea water supply system in Wan Chai is also being upgraded and extended to meet the needs of the district's increasing population. A ring sea water supply system is also being designed for Cheung Sha Wan.

To meet the increased demand for flushing water in Wan Chai, Central and Mid-level areas, the sea water supply system is being upgraded with a reprovisioned sea water pumping station, a new service reservoir at Magazine Gap Road, an additional pumping station on Bowen Drive and 7 kilometres of new salt water mains.

WSD is also targeting the production of reclaimed water for toilet flushing and other non-potable uses. The pilot schemes for the recycling of treated effluent in Ngong Ping and Shek Wu Hui Sewage Treatment Works have demonstrated that the use of reclaimed water for non-potable applications is technically feasible in Hong Kong. WSD anticipates providing this water to residents in the Sheung Shui, Fanling and the NENT NDAs for toilet flushing and other non-potable uses. Apart from this, WSD is also liaising with other departments to implement trial schemes on recycling of grey water and harvesting rainwater.

Waterworks projects not related to the R&R Programme in the pipeline

Besides the R&R Programme which is currently in its last stage, waterworks civil engineering projects of WSD are continuing in the pipeline as set out in the above paragraphs. Accordingly, our Directors believe that WSD will in the forthcoming years, invite for tenders to implement the projects as mentioned above.

Opportunities from drainage works

Long term improvement measures for flood prevention

In September 1989, the Government established the Drainage Services Department of the Government ("**DSD**") to take up the overall responsibility of providing an efficient approach to resolving the flooding problem in Hong Kong. Since then, DSD has completed studies on flood prevention strategy, drainage master plan ("**DMP**") studies and drainage studies covering the flood-prone areas of the territory. DSD has commenced the review studies for DMPs of different regions in phases to cope with the latest developments in the community and also the changes in the weather pattern. From 1989 to 2012, DSD has completed a series of major flood prevention works costing about HK$22.3 billion.

According to DSD, it will spend more than HK$13 billion to carry out anti-flooding works in Hong Kong, including more than HK$5 billion to widen the Kai Tak River to prevent flooding, of which HK$2.6 billion will be used to improve the upstream and midstream works and HK$2.48 billion will be used to improve the low stream works of Kai Tak River. The river runs 2.4 kilometers and the projects are expected to be completed by 2018. After such works are completed, the river can handle 150 cubic meters of water per second. The works will also be done on the design of the river to cope with major flooding that occurs once every 200 years.

In addition to the improvement works for Kai Tak River, other projects include Happy Valley Underground Stormwater Storage Scheme and Shenzhen River Regulation Project Stage IV. According to the press release of the Government dated 30 August 2013, the Development Bureau of the Government signed an agreement with the Shenzhen Municipal People's Government to entrust the duties of management and supervision for the first contract under the Shenzhen River Regulation Project Stage IV to the Shenzhen Municipal People's Government. The first river works contract for the project, of a value of Renminbi 177.5 million, was awarded to China Road and Bridge Corporation on 30 August 2013. It is anticipated that the whole project will complete by the end of 2017. DSD also keeps on conducting review studies for the drainage master plans for different districts with a view to review the adequacy of the existing drainage system, update and establish flood prevention plans having regard to the latest land development and land use proposals as well as the effect brought about by climate change.

The construction of the Tsuen Wan Drainage Tunnel commenced in December 2007 and according to the press release of the Government dated 28 March 2013, the Tsuen Wan Drainage Tunnel was completed and commissioned on 28 March 2013, and the relevant department will commence the review studies of the Drainage Master Plans in Sha Tin, Sai Kung and Tai Po.

Sewage and harbour treatment facilities

According to DSD, about 93% of the population is now served by the public sewerage system. This system includes a sewerage network of about 1,600 kilometres in total length and around 280 sewage treatment facilities collecting and treating 2.7 million cubic metres of sewage per day from residential, commercial and industrial premises in the territory prior to disposal to the sea for dilution and dispersion through submarine outfalls.

In the past, whilst new towns in the New Territories have been provided with modern secondary sewage treatment works, the sewage infrastructure for the older urban areas has not been upgraded to cater for the level of development of Hong Kong. In order to cope with the development and the rise in standard of living, the sewage infrastructure is now being upgraded under a territory-wide sewerage rehabilitation and improvement programme. For instance, the Sha Tin Sewage Treatment Works was completed in March 2011 and the works costed about HK$13 million. Various projects, such as Tolo Harbour sewerage of unsewered areas (stage 2, phase 1), sewerage in Nam Wa Po, Wai Tau and Outlying Islands sewerage (stage 2) were recommended under these circumstances and progressively proceed to cater for the present and future development needs.

Furthermore, the Government has implemented HATS in two phases, aimed at improving the water quality of Victoria Harbour. The first stage of HATS was fully commissioned in 2001 while the full commissioning of Stage 2A will be commenced in 2014. The Government is continuing to invest considerable resources in the sewerage infrastructure in order to improve the environment. Over HK$20 billion have been committed in HATS Stage 2A and the sewerage rehabilitation and improvement programme, and more will be spent on further stages of the scheme.

Opportunities from slope works

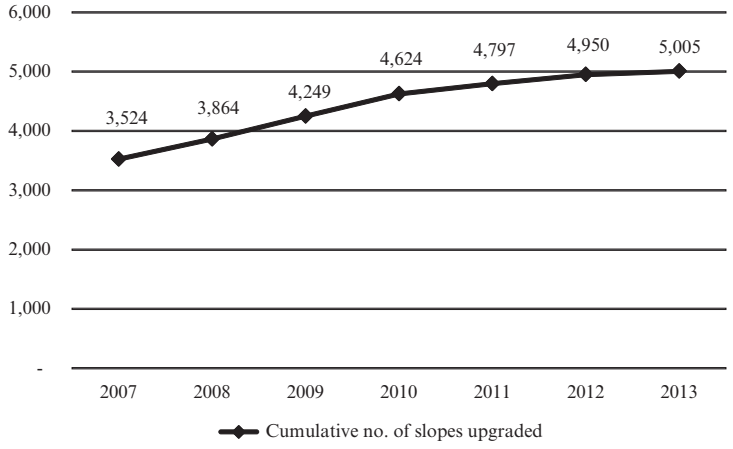
LPMitP

The Geotechnical Engineering Office of the CEDD ("**GEO**") (formally known as the Geotechnical Control Office before 1991) was set up in 1977 to provide geotechnical control on new developments and redevelopments, and to develop strategy in dealing with the large stock of potentially substandard man-made slopes. The designs of new slopes which have been built since then have generally been checked by the GEO to ensure that they conform with the required safety standards. In 2010, the GEO launched a rolling LPMitP to systematically deal with the landslide risk associated with both man-made slopes and natural hillside. Under the LPMitP, the most deserving man-made slopes and natural hillside catchments are selected for studies each year in accordance with a risk based priority ranking system. The necessary landslip prevention and mitigation works, as identified by the studies, for man-made slopes and natural hillside catchments under

Government's maintenance responsibility are implemented under the LPMitP. For private slopes found to be liable to become dangerous, statutory actions are taken against the responsible private owners by the Buildings Department through the Buildings Ordinance to ensure its rectification.

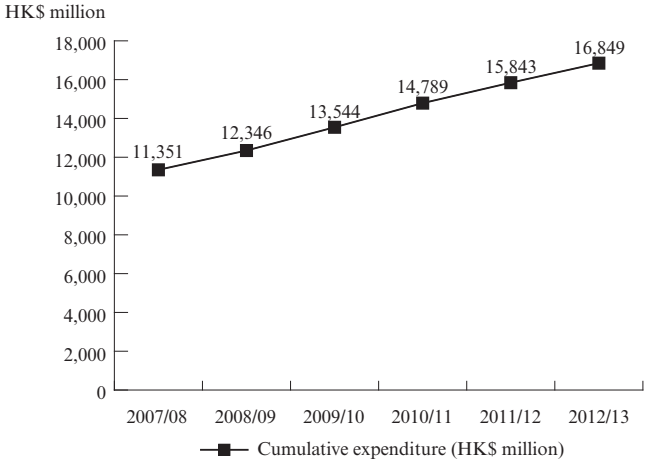
Since 1977, GEO had spent more than HK$16 billion on landslip prevention and mitigation studies.

The cumulative number of slopes upgraded by GEO from 2007 to 2013 (up to 31 March 2013) is shown on the table below.



Source: The website of CEDD — www.cedd.gov.hk, July 2013

The cumulative expenditure from 2007 to March 2013 (up to 31 March 2013) is shown on the table below.



Source: The website of CEDD — www.cedd.gov.hk, July 2013

GEO is continuing with the LPMitP to upgrade Government man-made slopes, mitigate landslide hazards arising from natural hillside catchments and conduct safety screening for private man-made slopes. According to the Report on the Examination of the Estimates of Expenditure 2013 to 2014 issued in July 2013 by the Finance Committee of the Legislative Council of Hong Kong, the Government plans, to upgrade 150 government

man-made slopes; carry out safety-screening studies on 100 private man-made slopes; and conduct studies and implement necessary risk mitigation measures for 30 natural hillsides. Our Directors believe that the LPMitP launched by GEO continues to open up numerous opportunities of landslip prevention and remedial works to slopes for our Group.

With the freeing up of working capital and human resources of our Group upon completion of TW7 Project and the waterworks projects in the R&R Programme, our Group intends to actively tender for new waterworks, roads and drainage and other civil engineering construction works offered by various departments of the Government. Our Directors are of the view that on the basis of the extensive experience and expertise of our management team in civil engineering works and the track record of our Group of undertaking civil engineering projects for various departments of the Government, our Group is well positioned to tender for such projects in the future.

Business from private sector

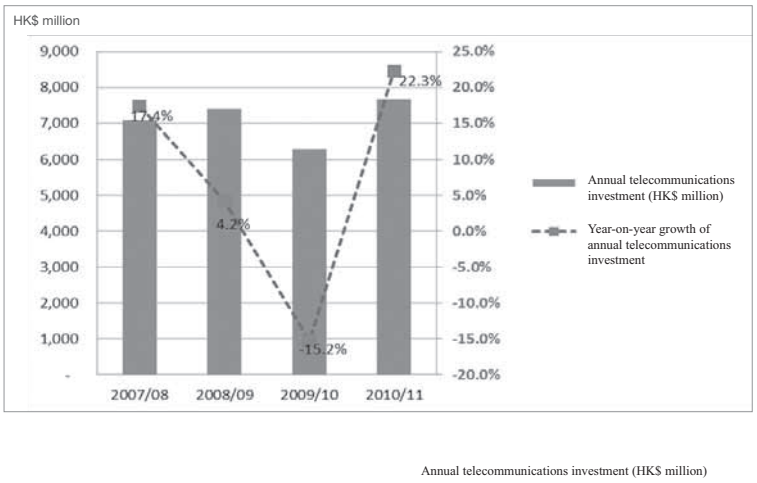
Opportunities from utilities works

Hong Kong has one of the most sophisticated telecommunications markets in the world. All sectors of Hong Kong's telecommunications market have been liberalised and have no foreign ownership restrictions. The local fixed carrier services market is fully liberalised. There is no specific requirement on network rollout or investment. As at June 2013, there were over 4.3 million exchange lines. The telephone density was 103 lines per 100 households or 60% by population, which was among the highest in the world. As at March 2012, 86.7% and 76.3% of residential households were able to enjoy a choice of at least two and three local fixed networks respectively.

Fixed broadband internet access services are also very popular in Hong Kong. With the increased competition and coverage of broadband service using a range of access platforms, broadband networks cover virtually all commercial buildings and households. As at June 2013, there were about 2.25 million registered customers using fixed broadband services with speed up to 1,000 megabits per second. 85% of the households in the residential market in Hong Kong are using fixed broadband service.

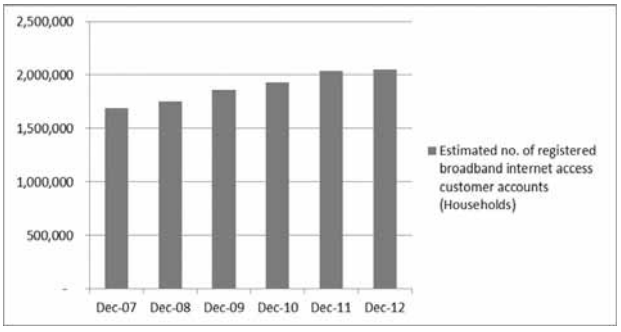
The high penetration rate together with the high bandwidth of broadband services in Hong Kong formed a suitable platform for the launch of IPTV services. By November 2012, there were about 1.36 million IPTV subscribers in Hong Kong.

The following chart sets out the annual telecommunications investment in Hong Kong and its growth rate for the periods specified.



Source: The website of Office of the Communications Authority — http://www.ofca.gov.hk, March 2013

The cumulative number of registered broadband internet access customer accounts (households) from December 2007 to December 2012 can be shown on the table below.



Source: The website of Office of the Communications Authority — http://www.ofca.gov.hk, March 2013

*Note: The above statistics are estimated figures based on the return from the Internet Service Providers ("**ISPs**"). They do not include users who are not customers of the licensed ISPs, such as users of the campus networks in the universities.*

Taking advantage of the extensive experiences accumulated through working with HKT Group and other utilities service companies in Hong Kong, our Group has developed advanced skills and technologies in trenching and laying of ducts and cables, constructing of jointing chambers and providing integrated blockwiring infrastructure in Hong Kong.

With the freeing up of working capital and human resources of our Group upon completion of TW7 Project and the waterworks projects in the R&R Programme, it is expected that our Group will actively tender for the utilities civil engineering works offered by HKT Group and other utilities service companies. Our Directors are of the view that since our Group has undertaken utilities civil engineering works for HKT Group and a number of other utilities service companies in the past, our Group is well positioned to tender for such projects in the future.

COMPETITIVE LANDSCAPE

Competitive situation

The key contractor players of the construction industry in Hong Kong comprise local main contractors and overseas contractors, and a large numbers of sub-contractors. A number of the players are both developers and contractors.

We consider the companies engaged in civil engineering construction works in Hong Kong that have been approved by the WBDB as Group C contractors under the "Waterworks" category to be our major competitors in the provision of civil engineering construction works. As at the Latest Practicable Date, there were 36 contractors that have been approved by the WBDB as Group C contractors under the "Waterworks" category. Approved contractors in other categories can also be our competitors depending on the nature of the projects.

The WBDB is responsible for ensuring the effective planning, management and implementation of public sector infrastructure development and works programme in a safe, timely and cost-effective manner and to maintain high quality and standards. The WBDB has maintained the Contractor List and the List of Approved Suppliers of Materials and Specialist Contractors. Except for contracts invited by way of open tendering, a contractor must be included in at least one of the aforesaid lists in order to be eligible to tender for public works contracts.

The Government awards construction contracts to qualified main contractors through open tender, taking into account the tender costs submitted. Due to the complexity and scale of project, the Government, and occasionally customers in the private sector, will require main contractors to make pre-qualification submission in order to assess their eligibility to tender. In such cases, other factors including prior job experience, company resources, safety and environmental protection track record could come into play.

The competition in the industry in Hong Kong has been fierce in the past few years. We are able to withstand the intense competition due to our competitive strengths that were illustrated under the paragraph headed "Business — Our Competitive Strengths" in this prospectus.

According to the WBDB, the number of approved contractors listed on the Contractor List under the categories of "Waterworks" as at the Latest Practicable Date are as follows:

Group	**Waterworks**	
	Confirmed	*Probationary*
A	2	19
B	3	9
C	22	14

Ranking of waterworks civil engineering constructors in Hong Kong

The following tables illustrate the market conditions in terms of contract sum of the waterworks contracts awarded to waterworks civil engineering constructors in Hong Kong by WSD in relation to tenders invited during the Track Record Period:

Tenders invited during the year ended 31 March 2011

Rank	Awardee	Contract Sum *(HK$ million)*
1	Company V	1,168
2	Company W	975
3	Our Group	617

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — http://www.gld.gov.hk/egazette

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under "Waterworks" category (Group C) were eligible to tender.

Tenders invited during the year ended 31 March 2012

Rank	Awardee	Contract Sum *(HK$ million)*
1	Company V	1,623
2	Company X	1,495
3	Company Z and its joint venture	805
4	Company Y	740
5	Company W	533
6	Our Group	345

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — http://www.gld.gov.hk/egazette

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under "Waterworks" category (Group C) were eligible to tender.

Tender invited during the year ended 31 March 2013

Rank	Awardee	Contract Sum *(HK$ million)*
1	Our Group	467
2	Company X	412
3	Company U	327

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — http://www.gld.gov.hk/egazette

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under "Waterworks" category (Group C) were eligible to tender.

Tenders invited during the four months ended 31 July 2013

Rank	Awardee	Contract Sum *(HK$ million)*
1	Company Z and its joint venture	336
2	Company T	182
3	Company V	127

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — http://www.gld.gov.hk/egazette

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under "Waterworks" category (Group C) were eligible to tender. Up to the Latest Practicable Date, only three projects were awarded among all the tenders of waterworks contracts in which only contractors on the List of Approved Contractors under "Waterworks" category (Group C) were eligible to tender invited by WSD during the four months ended 31 July 2013.

Market drivers and industry requirements of waterworks civil engineering construction in Hong Kong

On the basis of the continual increase in public expenditure on infrastructure by the Government in the forthcoming years and the need to supply more land through land development in NDAs, it is believed that the demand for civil engineering construction work in Hong Kong shall increase in the forthcoming years. It is also believed that the number of competitors in the industry shall not increase very rapidly given the requirement for getting approval by WBDB in order to be eligible to be awarded construction contracts by the Government.

Market drivers

- Since the announcement of the undertaking of 10 major infrastructure projects by the Government in 2007, the budgeted expenditure on capital works by the Government has risen progressively from approximately HK$26.6 billion in 2007/08 to approximately HK$52.5 billion in 2011/12 and it is expected that capital works expenditure will increase to over HK$70 billion in the forthcoming years. Such increase of capital expenditure will drive demand as well as sustain growth in the civil engineering construction industry in Hong Kong.

- In order to address the long-term land supply issue, the Government has announced that it will push forward the development of NDAs. Such land development is expected to generate significant amount of civil engineering construction work including but not limited to, roads and drainage works, waterworks and utilities works.

- With the commencement of a feasibility study into the establishment of a desalination plant in June 2012 and the improvements proposed by WSD in its sea water supply network and systems as well as the implementation of Stage 4 of the R&R Programme, a substantial amount of civil engineering construction works are expected to be undertaken in Hong Kong in the forthcoming years.

Industry requirements

- To be eligible for providing civil engineering services to the Government in the capacity of a main contractor, contractors are required to comply with the licence requirements set forth in the Contractor Management Handbook (Revision B) July 2005 issued by ETWB. The suitability of a contractor for inclusion in one or more of the works categories is assessed on the basis of a number of factors which include whether the applicant meets the minimum financial criteria, technical and management criteria and number of full time management and technical personnel with relevant experience in engineering and project management as set forth therein. In particular, there are requirements on (i) minimum employed capital and working capital; (ii) adequate relevant civil engineering works experience including but not limited to a satisfactory completion of a specified number of relevant contracts of a specified minimum value within a specified time frame; and (iii) minimum number of years of local management experience and possession of relevant qualification from the top management and technical staff.

- It is a requirement of the WBDB that all Group C contractors in Hong Kong must obtain ISO 9000 certification as one of the qualifications for tendering for Government contracts.

- There are requirements on the financial, technical and management aspects of a contractor for inclusion on the Contractor List. International and local contractors who are not currently on such list shall need to satisfy such requirements in order to be approved as a main contractor.

Details of the licensing requirements for a contractor to be eligible to tender for work contracts of the Government are set out in the section headed "Regulatory Overview" in this prospectus.