

BUSINESS OVERVIEW

We are a main contractor providing both civil engineering and building construction services to the public and private sectors in Hong Kong in which civil engineering construction works is the core business of our Group. We are particularly active in civil engineering waterworks. We have established a strong reputation through our over 37 years' experience and 4 years' experience in the civil engineering construction industry and the building construction industry in Hong Kong respectively. We are an approved contractor and our customers include various departments of the Government such as WSD, Drainage Services Department and Highways Department. Our customers also include certain public utilities companies, non-governmental and private organisations in Hong Kong.

Some of our key civil engineering construction projects completed during the Track Record Period include:

- Replacement and rehabilitation of water mains stage 2 — mains in Tsuen Wan (19/WSD/06);
- Replacement and rehabilitation of water mains stage 1, phase 2 — mains on Hong Kong Island (15/WSD/05);
- Main contract for upgrading of electricity supply to Lok Man Sun Chuen in To Kwa Wan;
- Improvement to Hong Kong Central mid-level and high-level areas water supply — Remaining works, construction of service reservoirs, pumping stations and associated main laying (5/WSD/07); and
- Civil engineering works term contract for HKT Group in laying of ducts, cables and construction of jointing chambers and related facilities for telecommunication networks.

Our only private residential building construction project completed during the Track Record Period was MOS Project.

For details of the above construction projects, please refer to the paragraph headed “Completed Projects” of this section.

As a main contractor, we offer construction services that encompass the procurement of materials and equipment, selection of sub-contractors to on-site supervision, work progress monitoring and overall co-ordination of the day-to-day work of the project. Our civil engineering construction services are mainly applied to (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works, for the public and private sectors in Hong Kong. Our building construction services are applied to carcass works for private residential

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development in Hong Kong. To a lesser extent, we are also engaged in building repairs and maintenance works, which only contributed approximately 0.05%, 0.03%, 0.10% and 0.33% of our total revenue respectively during each of the three years ended 31 March 2013 and the four months ended 31 July 2013.

Below is a list of some of the civil engineering construction projects undertaken by us in our operating history:

- Basement construction and design and construction of piled foundations for Building 5, Science Park at Pak Shek Kok, New Territories;
- Construction of village flood protection works for Pok Wai, New Territories and stormwater intercepting drain for Wang Chau, New Territories;
- Construction of permanent public transport terminus at Tin Yan Road contract for the proposed government, institution and community/public car park and residential development at Tin Shui Wai, New Territories;
- Reconstruction of catchwater channels and upgrading of adjoining priority slopes on Hong Kong Island and Lantau Island;
- Site formation works for wind turbine in Lamma Power Wind Station; and
- Laying of ducts, cables and construction of jointing chambers and related facilities for HKT Group's telecommunication networks in Hong Kong Island, Kowloon, New Territories and Outlying Island for 30 years.

Below is a list of all of the building construction projects undertaken by us, details of which are set out in the paragraphs headed "Completed projects" and "Projects in progress" sections respectively in this prospectus, in our operating history:

- MOS Project (completed in March 2011); and
- TW7 Project (commenced in August 2011 and expected to be completed in mid-2014).

We completed a total of 9 projects during the Track Record Period. 8 of such projects were civil engineering construction projects while the remaining one was a building construction project, namely MOS Project. As of 31 July 2013, we had 13 significant projects in progress, including 5 projects with the public sector and 8 projects with the private sector, the largest of which by contract sum was TW7 Project, a private residential building construction project which has been sub-contracted to our connected person, Able Contractors. All such significant projects in progress, except TW7 Project, are civil engineering construction projects. The total contract sum of our projects in progress was approximately HK\$3,885 million as at 31 July 2013, of which the contract sum of our building construction project in progress was approximately HK\$1,605 million and the contract sum of our civil engineering projects was approximately HK\$2,280 million.

The total amount not yet been recognised as revenue for our projects in progress as at 31 July 2013 was approximately HK\$1,703 million, of which the amount not yet been recognised as revenue from building construction project was approximately HK\$494 million and the amount not yet been recognised as revenue from civil engineering projects was approximately HK\$1,209 million.

OUR COMPETITIVE STRENGTHS

With an operating history of over 37 years in the civil engineering construction industry, our Directors believe that our Group, with its experienced management team and extensive experience in implementation of civil engineering construction works, has established a reputation in the civil engineering construction industry in Hong Kong. In particular, our Directors believe that our Group possesses the following competitive strengths:

- **Established operating history and track record in civil engineering construction projects**

We have established a strong reputation in civil engineering construction works through our 37 years' experience in the civil engineering construction industry in Hong Kong. Our Group commenced operations in Hong Kong in 1976. We are an approved contractor and hold confirmed Group C licence on waterworks category and probationary Group C licence on roads and drainage category issued by the WBDB. Over the years, our Group has completed major civil engineering waterworks projects and been able to secure contracts as main contractor for the construction or maintenance of various waterworks infrastructure, undertaking various waterworks engineering services in different operational regions of WSD, including Central, Kwai Tsing, Kwun Tong, Lantau Island, Tsuen Wan, Wan Chai and Wong Tai Sin.

We believe that our good reputation in civil engineering waterworks, our successful completion of numerous waterworks projects in Hong Kong, our possession of the requisite licences to undertake these works and our capability of delivering our job on time and to the satisfaction of our customers give us a competitive edge in pursuing new opportunities with the Government.

Further, we believe our strong reputation in the civil engineering construction industry and experience of working on Government projects have led to us being included in a selected group of contractors to whom the private sector utilities companies such as HKT Group and Company C make invitations to bid for their projects. We are one of the contractors of HKT Group and have been undertaking work in the laying of ducts, cables and construction of jointing chambers and related facilities for telecommunication networks in Hong Kong Island, Kowloon, New Territories and Outlying Island for HKT Group since 1983. During the year ended 31 March 2012, our Group was awarded certain contracts by HKT Group for the provision of telephone and broadband installation and the provision of works for integrated blockwiring infrastructure. We believe that the established operating history of our Group supports our Group in establishing its reputation and will assist our Group in tendering future contracts.

- **Well-positioned to capture the emerging business opportunities**

As the Government is committed to implementing 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.

According to the latest population projections in NENT, there will be an increase of about 1.4 million people in the coming 30 years. There is a strong demand for land for housing and economic development. To tie in with future development, the NDAs in NENT will be developed in phases with the entire NENT NDA project expected to be completed by 2031.

In addition, WSD is also targeting the production of reclaimed water for toilet flushing and other non-potable uses. WSD anticipates providing this water to residents in Sheung Shui, Fanling and the NENT NDAs for toilet flushing and other non-potable uses. Apart from this, WSD is also liaising with other Government departments to implement trial schemes on recycling of grey water and harvesting rainwater.

In view of the increasing public expenditure on infrastructure and NDAs projects and our experience in the industry with the possession of the requisite licences for Government's projects, we consider that our Group is well positioned to capture the emerging business opportunities as our Directors believe such infrastructure projects would expectedly involve waterworks, roads and drainage and other civil engineering construction works at some stage.

Our Directors also believe that our Group will be benefited from its proven track record of participation in the existing R&R Programme launched by WSD and other waterworks contracts and its experienced management team in having an edge to capture the emerging business opportunities from WSD.

- **Consistent delivery of high quality services through stringent quality assurance and strong commitment to high safety standard and environmental impact control**

Our Group has adopted a set of stringent quality assurance measures which comprise of monitoring, verifying and validating the construction, installation works and materials to ensure that high quality civil engineering construction works are delivered to our customers. In recognition of the quality assurance procedures in place, the quality management systems of EXCEL and GADELLY were accredited with the ISO 9001 certificates in 1994 and 2001, respectively.

At material procurement stage, to ensure consistency in the quality of the materials purchased, purchase orders shall only be placed with companies which are on our list of authorised material suppliers. Further, before a supplier is admitted to our list of authorised material suppliers, we have to assess its background or job references to ascertain the reputation of the supplier in the market as well as the stability of the material supplier. When the materials are delivered to the site, site engineer is responsible for ensuring that the purchased materials or products meet the specified requirements. For materials or products that require further inspection or testing, project manager is required to conduct further inspection and sign off the delivery.

During the project implementation stage, we will conduct inspection on all works on a regular basis to ensure that the works performed by us comply with the requirements as set out in the relevant contract. Under normal circumstances, a further inspection will be conducted together with the representative of the engineer or architect appointed by the customer before application for interim payment.

We have set up an occupational health and safety management system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from our civil construction works. As a result, our occupational health and safety management system has been certified compliance with OHSAS 18001 by ACIL and our environmental management system was accredited by ACIL with ISO 14001 certification.

We believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget to customers and thereby enhancing our reputation as a quality and reliable civil engineering construction company.

- **Systematic and effective tender review procedure**

We adopt a systematic tender review procedure to price our tenders in which our Directors and our engineering manager will work together to ensure that we are able to submit a tender proposal at a competitive price with adequate profit margin.

Our systematic tender review procedures involve (i) a feasibility study on the technical requirements, completion time, quality expectation and possible risks involved with the project to determine whether a tender proposal is to be made; (ii) our engineering manager visiting site and examining the site to assess the surrounding and ground conditions so that he can work out the outline construction method, site set up and resources capability for the works; and (iii) our Directors finalising the pricing based on their experience and market knowledge.

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We believe that such systematic tender review procedure will ensure that we are able to allocate manpower more efficiently, select the more appropriate sub-contractors and procure materials more appropriately for the potential projects and thereby allowing us to submit competitive tender proposals.

- **Long-standing relationship with sub-contractors**

We believe that, throughout our operating history, we have established good and long-standing business relationships with a team of sub-contractors that can constantly provide quality construction services to us and assist us to complete each project efficiently. Our Group has maintained over 30 sub-contractors on our Group's list of authorised sub-contractors, some of which have been working with our Group for at least 7 years. We believe that such long business relationships with sub-contractors can facilitate the timely completion of projects and are crucial to the day-to-day business operations and the future business development of our Group.

- **Experienced management team**

Our Group's performance and success are, to a significant extent, attributable to the expertise and experience of our key management personnel. Our core management team is led by our executive Director, Mr. Li Chi Pong, who has been a director of EXCEL since 1988 and has over 30 years' experience in handling civil engineering construction projects. He is responsible for the overall business planning, corporate strategy and operation of our Group. Mr. Poon Yan Min, our executive Director, has over 25 years' experience in the construction of road and drainage, site formation, waterworks and building works and is responsible for the implementation of works and the overall management of contracts. In addition to these executive directors who have been in charge of the business development of our Group over the years, our Group also has a professional management team with members having strong academic background and industry experience. We believe the extensive experience and in-depth knowledge of our management team in the civil engineering construction industry, as well as their ability to select projects that can be profitable and enhance our profile has enabled us and will enable us to continue to expand our business.

For the biographical details of our management team, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth in our businesses and to create long-term shareholder's value. As our Group will not take up any new building construction projects and maintenance works, and will cease all building construction and maintenance business upon completion of TW7 Project, in this connection, we intend to maintain our position as one of the leading civil engineering construction companies in Hong Kong and to continue to build on our existing competitive strengths stated above.

To achieve our business objectives, we intend to pursue the following business strategies:

- **Strengthen our Group's growth in civil engineering construction businesses**

With our strong track record in waterworks civil engineering construction business in Hong Kong, we plan to continue building on our current business relationships with our existing clients in Hong Kong. In addition, we will continue to selectively undertake new projects by the Government and other sizeable utilities companies in Hong Kong. More importantly, we will continue to focus on providing quality civil engineering construction works to our clients in a timely manner, which we believe will also help to strengthen our clients' confidence in us and the business relationships that we have built over the years.

Not only will the existing R&R Programme launched by WSD (details of which are set out in the section headed "Industry Overview" in this prospectus) continue to provide waterworks opportunities to our Group, our Directors believe that the infrastructure and NDAs projects being currently implemented or to be implemented by the Government will expectedly involve waterworks, roads and drainage works and other civil engineering construction works at some stage. Such public works will also create numerous business opportunities to our Group in the coming years. Our Directors believe that the civil engineering construction industry has significant market potential and promising prospects. We intend to make use of our competitive strengths by continuing to improve our quality of services and competitiveness to capitalise on the trend of increasing civil engineering construction works projects in Hong Kong in the coming years to further strengthen our Group's business growth.

- **Further enhancement in work quality and project safety**

Our Directors believe that our Group's success depends considerably on its ability to deliver works of high quality under a sound safety system. Our Directors consider that maintaining work quality and providing a safe and healthy working environment are of utmost importance to our Group's ongoing development in the civil engineering construction business. In order to uphold the work quality of our Group and enhance our Group's safety system, our Directors plan to recruit additional personnel to strengthen the quality assurance and safety team of our Group.

- **Maintain a disciplined financial strategy**

Our Group will continue to maintain a disciplined financial strategy in its business operations. Our Group has maintained a strong statement of financial position in terms of a prudent net gearing ratio. We intend to continue to maintain such strong statement of financial position without exposing to aggressive gearing in order to achieve sustainable growth in the long term. We also intend to continue to actively manage our project construction process to ensure sufficient cash generated internally for our ongoing capital needs. Our Directors believe that a prudent financial management in capital commitment could provide reasonable return for shareholders steadily while ensuring our continued growth in the long term.

- **Attract, motivate and develop talented and experienced staff**

Our Directors believe a key to our success is our ability to recruit, retain, motivate and develop talented and experienced staff members. In particular, we intend to continue to focus on the recruitment and cultivation of a high-quality and professional workforce in a competitive human resources market. We also intend to continue to provide a working environment that promotes our employees' personal and professional development.

OUR BUSINESSES

As a main contractor, we provide mainly (i) civil engineering construction services; (ii) building construction services; and to a lesser extent (iii) building maintenance services.

Our civil engineering construction services are mainly applied to (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works, for the public and private sectors in Hong Kong. Our building construction services are applied to carcass works for private residential development in Hong Kong. To a lesser extent, we are also engaged in building repairs and maintenance works for non-governmental organisations in order to maximise the utilisation of our resources.

Civil engineering construction works

Waterworks

Waterworks include construction and maintenance of water mains, service reservoirs, pumping stations, water tanks, treatment works, watercourses for distribution systems and other related construction works. These services may also involve several civil engineering constructions ranging from simply open trench excavation to particular trenchless construction methods such as pipe jacking, horizontal directional drilling and tunneling, etc.

Roads and drainage works

Road works include construction of road interchange, carriageway and walkway, footbridge and traffic link bridge, road improvement and widening works, etc., while drainage works include flood prevention works, construction drainage channel, outfall pipe, box culvert and pumping station, etc. Both road and drainage construction include associate scope of landscaping, utilities diversion as well as electrical and mechanical works.

Landslip preventive and remedial works to slopes and retaining walls

Landslip preventive and remedial works to slope involve slope stabilisation and upgrading works which include engineering inspection, retaining wall construction, cut and fill slope, soil nailing, surface drainage construction, slope surface treatment with high pressure grouting and spraying, landscaping, etc.

Utilities civil engineering works

Utilities civil engineering works include trench work for cables and ducts laying, construction of jointing chambers and associated facilities for telecommunication and electrical cable networks.

Building construction and maintenance works

Our Group provides building construction services which are applied to carcass works for private residential development. The aggregate value of building construction works accounted for approximately 55.06%, 30.86%, 53.23% and 66.20% of the total revenue of our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively.

Our Group is also engaged in building maintenance works for non-governmental organisations in order to maximise the utilisation of resources. However, these projects were minor in terms of scale and value. The aggregate value of building maintenance works only accounted for approximately 0.05%, 0.03%, 0.10% and 0.33% of the total revenue of our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively.

Our building construction and maintenance business which shall be ceased

During the whole history of our operation, we were engaged in only two private residential building construction projects. The principal reason for our engaging in private residential building construction projects was in relation to the overall strategies and considerations of the Vantage Group, in particular, on diversification of risks and establishing track records on different nature of construction projects among member companies. As the Retained Vantage Group has been engaged in building construction projects and possesses the relevant expertise and technical experience, it was then decided for us to sub-contract the two private residential building construction projects to the Retained Vantage Group.

The two private residential building construction projects that we have undertaken are MOS Project which was completed in March 2011 and TW7 Project which commenced in August 2011. In addition to building construction, we were also engaged in certain relatively minor building maintenance works in terms of scale and value during the Track Record Period. We shall not take up any new building construction projects and maintenance works, and shall cease all building construction and maintenance business upon completion of TW7 Project.

For more information regarding the above projects, please see the sections headed “Connected Transactions” and “Relationship with Controlling Shareholders” in this prospectus.

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As part of the effort to ensure clear delineation of business activities between our Group and the Retained Vantage Group after the Spin-off, our Group will continue to 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. We will continue TW7 Project until its completion in order to fulfill our obligations under the relevant project contract. Further financial information relating to our building construction and maintenance business are set out in the paragraph headed “Our building construction and maintenance business which shall be ceased” in the section headed “Financial Information” in this prospectus.

Further, there will be mechanisms in place to ensure a clear delineation between the retained business of the Retained Vantage Group and the civil engineering construction business of our Group after the Spin-off by way of Vantage entering into a Deed of Non-competition with us. For more details on the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders” in this prospectus.

Although we will cease to engage in building construction and maintenance works which had significant contribution to our revenue during the Track Record Period, our Group has managed to grow our principal business of civil engineering construction in its 37-years’ track record and was able to generate the majority of our profit from our civil engineering construction business during the Track Record Period. In that regard, our Directors believe that our Group will be able to continue sustainable business development by focusing on our civil engineering construction after the Listing.

TENDERING FOR PUBLIC SECTOR PROJECTS

Contracts in the public sector in Hong Kong are normally awarded through open and competitive tendering procedures with a view to obtaining the best value for money. Tenders may be invited in the following ways:

(i) Open tendering

Tender invitations are published in the Government Gazette and, if necessary, in the local press, on the internet and in selected overseas journals. Consulates and overseas trade commissions will also be notified where appropriate. All interested contractors/suppliers are free to submit tenders.

(ii) Selective tendering

Tender invitations are published in the Government Gazette or are sent by letter to all contractors/suppliers on the relevant Contractor List or Specialist List as maintained by the WBDB for the purpose of selective tendering.

(iii) Prequalified tendering

Tender invitations are published in the Government Gazette and, if necessary, in the local press and in selected overseas journals. Invitation letter will be sent to consulates and trade commissions in Hong Kong and known contractors/suppliers where appropriate. This tendering method will be used in circumstances which require the prequalification of a list of tenderers which financially and technically are capable of undertaking a particular type of project or supplying a particular product, and the use of this method must be approved by the Permanent Secretary for Financial Services and the Treasury. Projects tendered by this method may require pre-testing of equipment of contractor/supplier to determine its suitability or may be extremely complex in nature.

(iv) Single and restricted tendering

Tender invitations are sent to only one or a limited number of contractors/suppliers approved by the Permanent Secretary for Financial Services and the Treasury or the Director of Government Logistics. This tendering method is only used when circumstances do not permit open tendering, for example, on grounds of extreme urgency or security, for proprietary products or for reasons of compatibility.

Construction services are procured by the individual works departments concerned under the general supervision of the WBDB. In general, procuring departments are required to provide in the tender documents all the necessary information to assist the bidders to prepare their tenders, including standard contract forms covering the general aspects of tender and contract requirements, special conditions of contract, detailed price schedules, additional information and instructions applicable to a particular contract. The procuring department is responsible for evaluating the tenders to determine whether they meet the conditions and specifications laid down in the tender document.

Tenders are generally evaluated by the formula approach or the marking scheme approach. These two methods basically involve a systematic evaluation of the tenderers' experience, past performance record and particular technical ability. The formula approach is applied for general work projects, while the marking scheme approach is generally used for non-recurring and relatively more complicated projects which require evaluation on particular ability and past experience on the contractor candidate. Both approaches take into consideration the quality of work of the tenderers in addition to their financial bids. Therefore, the contract is not necessarily awarded to the lowest bid.

Public sector projects are sometimes contracted out by the main contractors to sub-contractors and such sub-contractors may also be awarded by way of tenders or upon private invitation. The selection criteria and process for sub-contracting are determined by the main contractors.

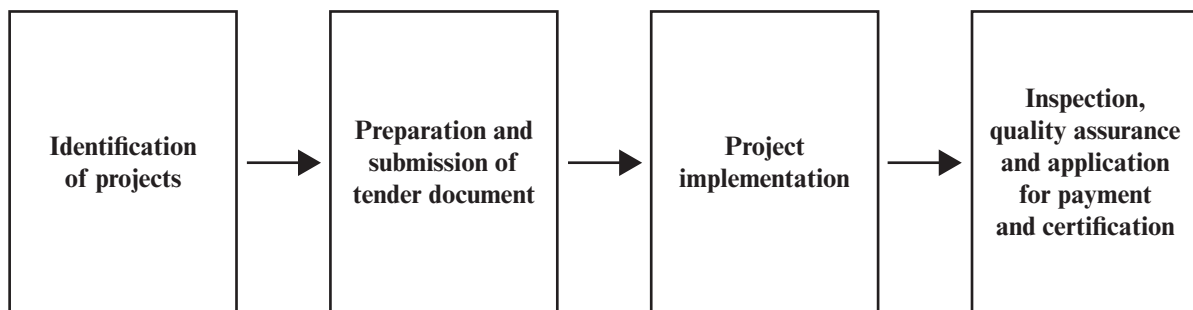
TENDERING FOR PRIVATE SECTOR PROJECTS

In the private sector, tenders are usually submitted upon private invitation and the contracts are awarded at the discretion of the clients. Contractors for the private sector are in general not required to satisfy the licensing requirements that are applicable to the undertaking of contract works for the public sector. However, for substantial projects implemented by well-established organisations, invitations are usually given to selected contractors or specialist contractors which are licensed by the Government under the respective categories. In addition to the competitiveness of the price quoted by the contractors, the job experience and track record of the contractors are also the key determining factors in awarding a contract. In selecting sub-contractors, the main contractors, either for private or public projects, may adopt similar selection processes.

PROJECT WORKFLOW

The customer base, required technical expertise and relevant regulatory licences and qualifications relating to civil engineering construction business and building construction and maintenance business may differ, but since both businesses share essentially the same fundamental nature of being construction works, the relevant project workflows and our procedures for project execution for both businesses are essentially the same.

The key steps of our project work flow are as follows:



Our Group's operation principally involves identification of projects, preparation and submission of tender document, project implementation and inspection and quality assurance and application for payment and certification. Our projects essentially concern with management of works contracts.

The actual works undertaken by us and the duration of the works commencing from the time of identification of project and award of the contract to the completion of the civil engineering and building construction and maintenance works may vary according to the nature of the works contracts.

Identification of projects

Projects are generally identified via our Directors or engineering manager reviewing Government Gazette on a weekly basis, on which tender invitations from different Government departments are published. The contents of a tender notice includes brief description of the works required, expected commencement date and contract period, contact details of the office which issues the tender notice and further particulars of the project and the closing time of the tender may be obtained.

As for private sector customers, we keep track of the latest published tender notices from the website of our existing and potential customers. We may also be informed of projects subject to tender by receiving invitation letters or through telephone directly from private sector customers.

Preparation and submission of tender document

We adopt a systematic tender review procedure to price our tenders. Our Directors are principally in charge of all the tenders. Our Directors believe a systematic tender review procedure is crucial to our business because most of our projects are secured through competitive tendering and such review procedure allows us to budget for a project efficiently and accurately. Further, our ability to allocate plant and machinery and manpower resources efficiently, select the appropriate sub-contractors, procure materials and estimate and stay within construction costs will determine, to a large extent, whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability. The tender price is very important, particularly for private sector projects because once the tender price is fixed, the contractor will have to bear any additional cost incurred.

For certain public sector projects, there is a price adjustment mechanism (both upward and downward adjustments) pursuant to which the fees that we would receive from the Government under a contract would be adjusted (both upward or downward) for changes in certain costs to a certain extent after the tender price is fixed with reference to certain price indices such as those published by the CSD. The price adjustment mechanism is more particularly described under the paragraph “Payment terms” under this section.

Pre-qualification

For projects requiring particular specialty on the part of the main contractor or for large-scale projects, we are required to make pre-qualification submission so as to allow the customer to assess our eligibility to tender. Our Directors believe that different factors, including our organisation and resources, past job experience, proposed human resources for the project, proposals for undertaking the project and safety and environmental protection track records, may be considered by the customers in the assessment.

Tender review and preparation process

Once we receive the tender documents, we will assess the feasibility of undertaking such project based on the technical requirements, completion time, quality expectation and possible risk factors associated with such project. We will also consider the identities of parties that will be entering into the contract with us in order to assess our credit risk.

The engineering manager reviews the requirements related to the projects in tender documents in order to ensure the requirements are adequately defined and that we have the capability to meet the defined requirements before submission of tender. Our engineering manager will also visit the site at which the project is to be taken in order to conduct a better assessment on the complexity of works to be involved. Based on such examination, he will then work out the outline construction method and the site set up for carrying out the works in an efficient and cost-effective manner. After site visits, the engineering manager will draw up a detailed analysis on the technical and financial aspects of the project by taking into consideration, among other things, the expected complexity of works to be involved, the estimated amount and costs of the required materials, the technical skills to be required and the expected time of delivery. After completion of such analysis, a meeting will be arranged with our Directors for tender review.

During the meeting in reviewing the tender, our Directors will decide on the adopted outline method, site setup and review the costings, finance and resource capabilities. They will, based on their experience and market knowledge, consider whether the tender is competitive in terms of pricing whilst certain level of profitability can be achieved during their review of the tender documents. Upon finalising the bill of quantity and other documents required for submission, our Group will submit the tender documents to the relevant counterparty. The engineering manager takes the overall lead in the entire tender process and follows up with the potential customers on their requirements and the details of our tender.

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Tenders submitted during the Track Record Period

The table below sets out the number of projects tendered for and won by our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively by project nature:

	Building construction and maintenance works	R&R Programme related civil engineering works	Other civil engineering works	Total
For the year ended 31 March 2011				
Total number of projects tendered for	20	3	43	66
Total number of projects won	0	1	4	5
Success rate	0.0%	33.3%	9.3%	7.6%
For the year ended 31 March 2012				
Total number of projects tendered for	12	8	35	55
Total number of projects won	2	1	2	5
Success rate	16.7%	12.5%	5.7%	9.1%
For the year ended 31 March 2013				
Total number of projects tendered for	11	3	42	56
Total number of projects won	1	1	3	5
Success rate	9.1%	33.3%	7.1%	8.9%
For the four months ended 31 July 2013				
Total number of projects tendered for	8	0	9	17
Total number of projects won	0	0	1	1
Success rate	0.0%	0.0%	11.1%	5.9%

Our Group's strategy is to submit tenders for various projects, including those we are less keen to obtain the award of the relevant contracts. This is to keep our presence in the market in order to remain on the Contractor List and tender invitation list of our private sector customers, as well as to keep abreast of latest market requirements and pricing which is useful in tendering similar projects in future. Such strategy has resulted in relatively low overall tender success rates of our Group during the Track Record Period as set out in the table above.

In October 2013, we were awarded with a new contract regarding the provision of civil works for cable circuit improvement for certain areas of the Central and Western District of the Hong Kong Island for Company C at a contract sum of approximately HK\$41.9 million.

Project implementation

The implementation process includes formation of a project management team, procurement of materials and equipment (if necessary), selection of sub-contractors (if necessary). Throughout the project implementation process, we generally assume the role of co-ordinating with customers, and with our sub-contractors and material and equipment suppliers and to take charge in the overall management of these works.

Formation of a project management team

Once a contract is awarded, a project management team will be formed which generally comprises a contracts manager, a project manager, foremen and a number of technical staff chosen by the project manager. Such project management team will prepare a detailed plan for the execution of the works. The contracts manager has the overall responsibility for the contract and has to ensure that all the requirements set out in the relevant contract document and our internal regulations are being complied with including but not limited to working out the construction method, the material requirements and delivery programme as well as preparing plans on site safety and project quality and assessing safety and environmental risks with the project manager.

The project manager will be responsible for all activities on site and ensure that the day-to-day works and site operations of the project comply with the requirements of the contract and our Group's quality management system. The project manager is also responsible for planning, coordinating and implementing site activities through discussion and liaison with the contracts manager, sub-contractors and the customer's representatives on matters including but not limited to site mobilisation, recruitment of labour, developing detail programme for the works, agreeing on constructing methods and works arrangement and identifying safety hazards and environmental risks. The project manager also works out the plant requirements and the period of required use for the completion of the project with the assistance of the site engineer.

The contracts manager and project manager work closely together to ensure the successful implementation of a project.

All of our contract managers and project managers are qualified professionals with over 10 years of experience in the civil engineering construction industry. Further, some of our contract managers and project managers are qualified professionals with over 4 years of experience in the building construction industry.

Procurement of materials and equipment

When our Group is awarded a contract, purchase orders for the major materials and equipment required are planned and placed according to project progress as requested by the sub-contractors engaged by us in the relevant projects. Our Group is responsible to complete material planning at the commencement of a project with the objectives of ensuring specific materials are delivered ahead of time, bulk materials are secured and material expenditure and waste are under control. Our material plan includes details of the material supplier, total quantities required and the schedule programme for delivery.

The principal materials used by our sub-contractors include pipes and fittings, concrete and steel. To ensure consistency in quality, purchase orders shall only be placed with companies which are on our list of authorised material and equipment suppliers. Before a material or equipment supplier is admitted to our list of authorised material and equipment suppliers, we will assess its background or job references in order to ascertain the reputation of the material or equipment supplier in the market as well as the stability of the material or equipment supplier. We also regularly review our authorised material and equipment suppliers list to ensure that our Group is able to maintain a diversified base of reliable material suppliers for the required materials at competitive prices.

Generally, we will purchase certain construction materials and equipment for the use of the sub-contractors. The relevant costs of the materials and equipment will be reimbursed by our sub-contractors to us and be deducted accordingly from the sub-contracting fees in accordance with the sub-contracting agreements/arrangements for all our projects where we purchase construction materials and equipment for the use of our sub-contractors. As the sub-contractors are responsible for providing the required construction workers, construction workers labour costs are generally borne by our sub-contractors. Accordingly, in general, subsequent changes in the costs of such materials, equipment and construction workers labour will not affect the agreed sub-contracting fees. In addition, some of the Government contracts provide for a contract price adjustment mechanism (both upward and downward) in relation to certain changes in various costs components including wages of workers and average wholesale prices of selected materials during the relevant contract period. To a very significant extent, volatility in the prices of materials and labour costs is generally absorbed by our sub-contractors according to the terms of the relevant sub-contracting agreements/arrangements for all our Group's private and Government contracts, or compensated by the Government through the price adjustment mechanism implemented in our Group's Government contracts. Therefore, the Directors are of the view that any impact of the volatility in the costs of materials, labour and equipment to our Group's profitability is not significant.

We usually enter into supply contracts with our material suppliers on a project basis and in general, the term of such supply contracts mirror the contract period for the relevant project. We have built up business relationships with some of our major material suppliers for more than 6 years. Our Directors believe that our Group has established good relationship with our material suppliers and do not anticipate any difficulty in sourcing the required materials and equipment in the future.

Selection of sub-contractors

Due to licensing requirements and the level of complexity of the work in the projects undertaken by us, in all of the contracts undertaken during the Track Record Period, we act as the main contractor, and delegate parts of the construction works to our sub-contractors. It is common industry practice in Hong Kong for main contractors to delegate parts of the construction works to sub-contractors. With the use of sub-contractors, we can undertake labour intensive works as well as works involving specified construction skills through a significant pool of workers and technical staff in a wide variety of specific skills without the need for keeping them under permanent employment and thereby bringing economical benefits to our Group. Sub-contractors are not subject to any licensing requirements in Hong Kong. However, many of them are registered on a voluntary basis under the list of registered sub-contractor maintained by the Construction Industry Council in Hong Kong.

We maintain a good and long-standing working relationship with our sub-contractors. Some of our sub-contractors have working relationships with us for more than 7 years. The long-standing relationships with our sub-contractors enable us to conduct comprehensive assessment of our sub-contractors over the years, ensuring the quality of works in the long run.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, our Group's sub-contracting fees amounted to approximately HK\$604 million, HK\$625 million, HK\$945 million and HK\$616 million, respectively. During the same period, our Group's largest sub-contractor accounted for approximately 62.7%, 34.0%, 54.9% and 69.6% of our Group's total sub-contracting fees and our Group's five largest sub-contractors accounted for approximately 96.2%, 95.0%, 98.9% and 99.4% of our Group's total sub-contracting fees respectively.

For details of our Group's five largest sub-contractors, please refer to the paragraph headed "Suppliers" in this section.

Civil engineering works sub-contracting arrangement

For our civil engineering construction works, a set of strict criteria for sub-contractors based on their previous job experience, skills for specialised job, resource capabilities, performance records, present work load and their price quotations are considered by us in making sub-contracting arrangements. We maintain a list of authorised sub-contractors which is reviewed and updated on an ongoing basis. Generally, we select the sub-contractors to undertake our civil engineering construction works out of our list of authorised sub-contractors for cooperating with us in particular projects based on their prices, past performance, work expertise and the contract size through competitive tendering process. We implement regular assessment of our sub-contractors during the course of a project to ensure quality of their works. As at the Latest Practicable Date, our Group has maintained over 30 Independent Third Party sub-contractors on our list of authorised sub-contractors, and accordingly we do not foresee any difficulties in finding

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substitute sub-contractors if necessary. During the Track Record Period, our Group had not experienced any incidents whereby our sub-contractors have caused delay in completing the required services which resulted in material adverse impact on our operations or financial position.

The sub-contracting agreements entered into between us and sub-contractors generally contain the following major terms and conditions:

- Sub-contracting fee;
- Rights and obligations of the parties;
- Restriction of sub-contractor from further assignment or sub-contracting of works without our prior permission;
- Conditions under which we may terminate the sub-contracting agreement, including (i) the sub-contractor abandons or suspends carrying out of the works without reasonable cause; and (ii) the sub-contractor is repeatedly not in compliance with the sub-contract terms and relevant laws, rules and regulations;
- Undertaking by sub-contractor to indemnify our Group against any loss, expense or claim arising from the negligence, misconduct, or failure to comply with sub-contracting agreement by the sub-contractor and/or its employees; and
- In case of non-compliance of the relevant safety, health and environmental standards by the sub-contractor, in general the relevant sub-contractor has to pay charges to our Group in accordance with pre-determined rates and our Group has the right to prohibit the employees of the relevant sub-contractor from entering into the construction sites for non-compliance of procedures or laws.

Further, the material terms of the sub-contracting agreements entered into between us and the sub-contractors reflect the terms of the main contracts entered into between us and our customers and such sub-contracting agreements also explicitly state that the respective sub-contractors are required to observe all the requirements and provisions of the relevant main contracts entered into between us and our customers or have provisions to a similar effect.

Generally, our Group will purchase certain construction materials and equipment for the use of the sub-contractors. The relevant costs of the materials and equipment will be reimbursed by our sub-contractors to us and be deducted accordingly from the sub-contracting fees in accordance with the sub-contracting agreements.

Our sub-contractors are neither our employees nor agents and we are not a party to the employment arrangement between our sub-contractors and their employees.

Building construction sub-contracting arrangement

We sub-contract our building construction works during our Track Record Period to our only building construction sub-contractor, Able Contractors, which is a connected person of our Company by virtue of it being a wholly-owned subsidiary of Vantage, one of our Controlling Shareholders. Such sub-contracting arrangement in respect of all of our building construction contracts during the Track Record Period were made because the Retained Vantage Group has been engaged in building construction projects and possessed the relevant expertise and technical experience. Therefore, the selection procedure for civil engineering sub-contractors set out in the above paragraphs headed under “Civil engineering sub-contracting arrangement” do not apply to our Group’s building construction sub-contracting arrangement with Able Contractors, which details are set out in the sections headed “Connected Transactions” and “Relationship with Controlling Shareholders” in this prospectus.

In addition, we also provide or second certain staff to Able Contractors in order to assist or supervise Able Contractors in performing its obligations under the relevant sub-contracting arrangement for TW7 Project with Able Contractors as set out in the “Connected Transaction” section in this prospectus.

Inspection and quality assurance

In order to achieve a consistent standard in our performance, we have adopted a stringent control and assurance system for monitoring the quality of materials used and the project implementation process.

All incoming materials or products delivered to site are inspected by the site engineer or other personnel appointed by the project manager. Site engineer is responsible for ensuring that the purchased materials or products meet the specified requirements. For materials or products that require further inspection or testing, the delivery will be passed to the project manager to sign off and if such materials failed to pass the inspection, they will be returned to the suppliers.

We will conduct inspection on all works on a regular basis to ensure that the works performed by us comply with the requirements as set out in the relevant contract. Where any work fails to pass our inspection, the project manager will determine a disposition and rectification actions. Upon completion of a project, the project manager will inspect the works and checks that all specified inspections and tests have been carried out and that the relevant data meets the specified requirements under the contract. Release of product shall only proceed when the project manager confirms the specific requirements have been satisfactorily completed or approval from the customer is obtained. Under normal circumstances, a further inspection will be conducted together with the representative of the engineer or architect appointed by the customer before application for interim payment.

Our quality assurance department is responsible for ensuring that our quality management system is being complied with in each stage of the project implementation. At the commencement of a project, our contracts manager will work closely with (a) our project manager to prepare the project quality plan; (b) our safety officer to assess the

safety risks of the project; and (c) our environmental manager to assess the environmental impacts of the project. During the project, material purchases, work process, resources planning are documented in the project quality plan so that project managers, contracts managers and engineering managers together with our quality manager, environmental manager and safety officer can discuss and review progress and other site matters at a bi-weekly project meeting.

Application for payment and certification

In the case of our Group being a main contractor, we are normally entitled to apply for interim payment for the work-in-progress per month according to the terms of the works contract. We normally receive progress payment from customers on a monthly basis. Generally, the authorised person employed by the customers would issue a progress certificate certifying the works progress in the preceding month. It normally takes about three to four weeks for such certificates to be issued. The customers then execute payment with reference to such certificate. Payments are generally made within 30 days after the issuance of the progress certificate.

It is normal contract term for the customers to require retention money be held up from the progress payment. The retention money for each project generally ranges from 1% to 10% of the total contract sum, and is released to us upon completion of the project and/or upon expiry of the guaranteed maintenance period (generally one year upon completion of the project) subject to the customers' satisfaction of the works. During the guaranteed maintenance period, we are required to rectify any defect in our work done without charge.

Similarly, we normally pay our sub-contractors on a monthly basis with reference to the value of the works done. Each of the sub-contractors is required to submit a request for payment to us by the end of each month. Once we have verified the sub-contractor's request against the actual works done as certified by the customers, we will release the relevant proportion of the sub-contracting amounts after holding up retention money, if any. Payments are generally made within 30 days after the sub-contractor's request. The amount of retention money from sub-contractors generally ranges from 1% to 10% of the total sub-contract sum.

OUR PROJECTS

Overview

We have completed a total of 9 projects during the Track Record Period. 8 of such projects were civil engineering construction projects while the remaining one was a building construction project, namely MOS Project. As of 31 July 2013, we had 13 significant projects that were in progress. All such significant projects in progress, except TW7 Project are civil engineering construction projects. Our Group acts as main contractor for all the contracts undertaken during the Track Record Period. We divide our projects into two categories based on the stage that the project is in:

- completed projects — referring to projects for which the relevant completion certificates have been issued; and

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- projects in progress — referring to projects for which we have commenced work but have recognised only part of the revenue for accounting purpose as of a point in time. The portion of contract sum for projects in progress which has not been realised is deemed as part of our backlog.

Completed projects

The following table sets forth the contracts completed by us during the Track Record Period:

Particulars of the contract	Customer	Period	Contract sum (HK\$ million)	Amount of revenue recognised during the Track Record Period (HK\$ million)
Waterworks				
Replacement and rehabilitation of water mains stage 1 phase 2 — Mains on Hong Kong Island (15/WSD/05)	WSD	August 2006 to May 2011	223 (Note 1)	28
Replacement and rehabilitation of water mains stage 2 — Mains in Tsuen Wan (19/WSD/06)	WSD	May 2007 to September 2011	45 (Note 1)	9
Improvement to Hong Kong Central mid-level and high-level areas water supply — Remaining works, construction of service reservoirs, pumping stations and associated main laying (5/WSD/07) (Note 4)	WSD	October 2007 to September 2012	234 (Note 1)	124
Roads and drainage works				
Road, utilities & external works in Lamma power station and its extension and miscellaneous improvement works (Note 4)	Company C	January 2009 to May 2010	17 (Note 1)	1
Landslip preventive and remedial works to slopes and retaining walls				
Proposed slope remedial works at No. 50 Tai Hang Road, Hong Kong (Note 4)	True Light Middle School of Hong Kong	December 2010 to April 2011	3.6 (Note 1)	3.5
Utilities civil engineering works				
Main contract for upgrading of electricity supply to Lok Man Sun Chuen (Note 4)	Hong Kong Housing Society	January 2010 to May 2012	76 (Note 1)	59

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Particulars of the contract	Customer	Period	Contract sum (HK\$ million)	Amount of revenue recognised during the Track Record Period (HK\$ million)
Civil engineering works term contract for HKT Group (Note 4)	HKT Group	February 2008 to January 2011	— (Note 2)	16
Provision of external cable construction works and outside telecommunication plant maintenance services (Note 4)	HKT Group	May 2010 to April 2013	— (Note 2)	70
Other — Building construction works				
MOS Project — Carcass work contract for proposed residential development in Ma On Shan, New Territories (Note 3)	Company A	August 2009 to March 2011	545 (Note 1)	430

Notes:

1. *The contract sum for a particular contract listed above may be greater than the amount of revenue recognised for that contract during the Track Record Period. This is because some revenue for a particular contract may have been recognised before the commencement of the Track Record Period, i.e. before 1 April 2010.*
2. *Due to the nature of the contracts with HKT Group, no contract sum is provided and the estimated labour and material values stated in such contracts are for reference only but our actual amount of work, revenue and profit recognised during the contract term is derived from the total estimated labour and material values depending on the actual number of work orders received by our Group during the same period.*
3. *Please refer to the paragraph headed “Sub-contracting between our Group and Retained Vantage Group — MOS Project” in the section headed “Relationship with Controlling Shareholders” in this prospectus.*
4. *These contracts are civil engineering construction works completed by our Group during the Track Record Period which are not part of the R&R Programme. The total amount of revenue recognised during the Track Record Period of such contracts amounted to approximately HK\$273.5 million, representing approximately 88.1% of the total revenue recognised during the Track Record Period of all the civil engineering construction works contracts completed by our Group during the Track Record Period.*

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Projects in progress

The following table summarises all of our significant projects that were in progress as at 31 July 2013:

Particulars of the contract	Customer	Period <i>(Note 1)</i>	Contract sum <i>(HK\$ million)</i>	Amount of revenue recognised during the Track Record Period <i>(HK\$ million)</i>	Outstanding amount yet to be recognised as revenue as at 31 July 2013 <i>(HK\$ million)</i>
Waterworks					
Replacement and rehabilitation of water mains stage 3 — Mains in Wan Chai District (19/WSD/08)	WSD	April 2009 to October 2014	348 <i>(Note 2)</i>	215	88
Replacement and rehabilitation of water mains stage 3 — Mains on Hong Kong Island East (20/WSD/08)	WSD	April 2009 to August 2014	362 <i>(Note 2)</i>	238	77
Replacement and rehabilitation of water mains stage 4 phase 1 — Mains in West Kowloon, Kwai Tsing and Tsuen Wan (13/WSD/10)	WSD	April 2011 to July 2015	616	339	277
Replacement and rehabilitation of water mains stage 4 phase 1 — Major mains in Eastern New Territories (10/WSD/11)	WSD	April 2012 to November 2015	345	82	263
Replacement and rehabilitation of water mains stage 4 phase 1 — Remaining mains on Hong Kong Island (3/WSD/12)	WSD	March 2013 to April 2016	467	28	439
Roads and drainage works					
Lee Tung Street/McGregor Street, Wan Chai, Hong Kong — Road works <i>(Note 4)</i>	Company D	May 2011 to June 2014	12	4	8
Reprovision of sea water cooling pipes for a sizeable shopping mall at Tsim Sha Tsui <i>(Note 4)</i>	Company B	January 2013 to January 2014	130	73	57
Provision of external cable construction works and outside telecommunications plant maintenance services <i>(Note 4)</i>	HKT Group	May 2013 to April 2016	— <i>(Note 3)</i>	3	— <i>(Note 3)</i>

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Particulars of the contract	Customer	Period (Note 1)	Contract sum (HK\$ million)	Amount of revenue recognised during the Track Record Period (HK\$ million)	Outstanding amount yet to be recognised as revenue as at 31 July 2013 (HK\$ million)
Utilities civil engineering works					
Civil engineering works term contract for HKT Group (Note 4)	HKT Group	February 2011 to January 2014	— (Note 3)	40	— (Note 3)
Provision of integrated field work for field services of telephone and broadband installation (Phase II) — Wan Chai and Southern District (Note 4)	HKT Group	April 2011 to March 2014	— (Note 3)	43	— (Note 3)
Provision of integrated field work for field services of telephone and broadband installation (Phase II) — Kowloon District (Note 4)	HKT Group	October 2011 to March 2014	— (Note 3)	47	— (Note 3)
Provision of works for integrated blockwiring infrastructure (Note 4)	HKT Group	January 2012 to December 2014	— (Note 3)	4.5	— (Note 3)
Other — Building construction works					
TW7 Project — Carcass work contract for proposed property development at Tsuen Wan west station, Tsuen Wan, N.T. (Note 5)	Company A	August 2011 to mid-2014	1,605	1,111	494
Total			<u>3,885</u> (Note 3)	<u>2,227.5</u>	<u>1,703</u> (Note 3)

Notes:

- The period for a particular contract shown above represents the period from the date of commencement of the relevant contract to the expected completion date. Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of our Group.
- The contract sum for a particular contract listed above may be greater than the amount of revenue recognised for that contract during the Track Record Period. This is because some revenue for a particular contract may have been recognised before the commencement of the Track Record Period, i.e. before 1 April 2010.
- Due to the nature of the contracts with HKT Group, no contract sum is provided and the estimated labour and materials values stated in such contracts are for reference only but our actual amount of work, revenue and profit recognised during the contract term is derived from the total estimated labour and materials values depending on the actual number of work orders received by our Group during the same period. Since there are no contract sum provided in the contracts with HKT Group, there is no basis for the computation of outstanding amount yet to be recognised as revenue as at 31 July 2013.

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4. *These contracts are civil engineering construction works undertaken by our Group during the Track Record Period which are in progress and are not part of the R&R Programme. The total amount of revenue recognised during the Track Record Period of such contracts amounted to approximately HK\$214.5 million, representing 19.2% of the total revenue recognised during the Track Record Period of all the civil engineering construction works contracts in progress undertaken by our Group during the Track Record Period.*
5. *Please refer to the paragraph headed “Non-exempt continuing connected transaction” under the section headed “Connected Transactions” in this prospectus for further information in relation to this project.*

As of 31 July 2013, we had 13 significant projects in progress, with a total amount of approximately HK\$1,703 million outstanding under our contracts and not yet been recognised in our financial statements (“**Unrealised Contract Sum**”), of which the amount not yet been recognised as revenue from building construction project was approximately HK\$494 million and the amount not yet been recognised as revenue from civil engineering projects was approximately HK\$1,209 million. We compute the Unrealised Contract Sum based on the total contract sum of all of our projects in progress as of 31 July 2013, less the aggregate amount of such contract sum of each project that had already been recognised as revenues in our Group’s combined financial information on or before 31 July 2013.

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The table below sets out a breakdown of the backlog revenue estimated to be recognised in the future for our 5 significant projects in progress which are part of the R&R Programme launched by WSD respectively:

Breakdown by project of backlog revenue estimated to be recognised in future relating to our R&R Programme contracts:

	For the eight months ending 31 March 2014 (HK\$ million)	For the year ending 31 March 2015 (HK\$ million)	Years subsequent to the year ending 31 March 2015 (HK\$ million)	Total (HK\$ million)
Particulars of the contract				
Replacement and rehabilitation of water mains stage 3 — Mains in Wan Chai District (19/WSD/08)	35	48	5	88
Replacement and rehabilitation of water mains stage 3 — Mains on Hong Kong Island East (20/WSD/08)	22	30	25	77
Replacement and rehabilitation of water mains stage 4 phase 1 — Mains in West Kowloon, Kwai Tsing and Tsuen Wan (13/WSD/10)	69	96	112	277
Replacement and rehabilitation of water mains stage 4 phase 1 — Major mains in Eastern New Territories (10/WSD/11)	64	96	103	263
Replacement and rehabilitation of water mains stage 4 phase 1 — Remaining mains on Hong Kong Island (3/WSD/12)	54	72	313	439
Total	244	342	558	1,144

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The above estimates of breakdown by project of backlog revenue are derived based on (i) our management experience and judgement, (ii) our project budgets, (iii) the projected progress of the relevant projects based on, among other things, the historical progress of such projects and (iv) no additional variation orders will be made by the relevant customer. The above estimates may be different from the actual amount of revenues to be generated by our Group for such projects and are not guarantees of future performance of our Group.

New contract awarded

In October 2013, we were awarded with a new contract regarding the provision of civil works for cable circuit improvement for certain areas of the Central and Western District of the Hong Kong Island for Company C at a contract sum of approximately HK\$41.9 million.

Further information on R&R Programme projects and other civil engineering projects

Notwithstanding the expected completion of R&R Programme in 2015, our Directors believe that there are abundant demand of civil engineering works projects in the market in Hong Kong which our Group is in a good position to undertake when our R&R Programme projects are completed. It is the business nature of the construction business in Hong Kong that there is a limitation as to the number of projects our Group is able to undertake at a particular point in time, arising from, among other things, constraints in working capital and human resources. One of the reasons is that the ETWB has established minimum employed and working capital requirements for accepting a tender for civil engineering works in the public sector. Given that our Group has already been engaged in a number of sizeable projects such as TW7 Project and projects in the R&R Programme, our Group has limited working capital and human resources to undertake additional projects other than TW7 Project and projects in the R&R Programme during the Track Record Period. Having considered such constraints, our Group decided to focus on R&R Programme projects during Track Record Period. This was because, during the Track Record Period, the R&R Programme related projects were more sizeable in terms of contract value, and by focusing our resources on the R&R Programme related projects, our Group could more efficiently manage the use of its resources such as labour and management team, which would allow a higher economy of scale for the Group to generate more profit from its business during the Track Record Period. Upon cessation of the R&R Programme, our Directors expect that WSD and other customers will continue to invite tender for civil engineering works. With the freeing up of working capital and resources of our Group upon completion of TW7 Project and the waterworks projects in the R&R Programme, our Directors expects that our Group will actively tender for waterworks projects and other civil engineering works. Our Directors are of the view that, there will be substantial opportunities of waterworks projects and other civil engineering works available to our Group, and due to the extensive experience and expertise of our management team and the track record of our Group of undertaking waterworks projects for WSD and other civil engineering projects for other customers, our Group is well positioned to tender for such projects in the future.

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The table below sets out a breakdown of our revenue and gross profit by project nature for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively:

Revenue	Building construction and maintenance works <i>HK\$ million</i>	(%)	WSD — R&R Programme waterworks <i>HK\$ million</i>	(%)	WSD — non-R&R Programme waterworks <i>HK\$ million</i>	(%)	Other civil engineering works <i>HK\$ million</i>	(%)	Total <i>HK\$ million</i>	(%)
<i>For the year ended</i>										
<i>31 March</i>										
2011	371	55%	167	25%	57	8%	78	12%	673	100%
2012	213	31%	315	46%	49	7%	113	16%	690	100%
2013	525	53%	326	33%	16	2%	117	12%	984	100%
<i>For the four months</i>										
<i>ended 31 July 2013</i>										
	435	67%	136	21%	2	0%	81	12%	654	100%

Gross Profit	Building construction and maintenance works <i>HK\$ million</i>	(%)	WSD — R&R Programme waterworks <i>HK\$ million</i>	(%)	WSD — non-R&R Programme waterworks <i>HK\$ million</i>	(%)	Other civil engineering works <i>HK\$ million</i>	(%)	Total <i>HK\$ million</i>	(%)
<i>For the year ended</i>										
<i>31 March</i>										
2011	—	0%	15	33%	19	41%	12	26%	46	100%
2012	3	6%	25	51%	12	25%	9	18%	49	100%
2013	5	9%	41	73%	0.3	1%	10	17%	56	100%
<i>For the four months</i>										
<i>ended 31 July 2013</i>										
	5	21%	9	37%	(2)	(8%)	12	50%	24	100%

The total revenue recognised during the Track Record Period from all our civil engineering projects which are not part of the R&R Programme (including those completed and in progress) amounted to approximately HK\$513 million, representing approximately 17.1% of our total revenue during the Track Record Period.

CUSTOMERS

Due to the nature of the business sector in which our Group is engaged, our customer base is relatively concentrated to only organisations requiring civil engineering construction services, including, generally, certain departments of the Government, public utilities companies and private organisations in Hong Kong. Our only building construction customer which was one of our top 3 Independent Third Party customers during the Track Record Period was Company A. Notwithstanding the above and the cessation of our building and maintenance construction business after completion of TW7 Project, as demonstrated by the Track Record Period and in view of the trend in Hong Kong that there will be a considerable number of new infrastructure and new town development projects requiring civil engineering construction services, our Directors believe that our Group has not encountered and will not encounter material difficulty in sustaining our core business. For the related risks, please refer to the section headed “Risk Factors — Cessation of undertaking building construction and maintenance business by us upon completion of

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TW7 Project may have a material adverse effect on our business, operating results and financial condition” and “— Expiration of R&R Programme may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in future” in this prospectus.

Our largest customer accounted for approximately 55.1%, 52.6%, 51.8% and 66.2% of our revenues for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively. Our five largest customers which include Company A, WSD, HKT Group, the Hong Kong Housing Society and Company B together accounted for approximately 99.2%, 98.0%, 99.1% and 99.8% of our revenue for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively.

Company A is one of the principal property developers listed in Hong Kong in terms of market capitalisation and sales revenue. For the year ended 31 December 2012, the consolidated turnover and net profit attributable to shareholders of Company A amounted to approximately HK\$31.1 billion and HK\$32.2 billion respectively. Apart from property development in Hong Kong and the PRC, Company A has diversified businesses in hotel operations, securities investments, property management and other related businesses. Its market capitalisation was approximately HK\$281.4 billion as at the Latest Practicable Date.

WSD is a department under the Government. It recorded a total revenue of approximately HK\$6.8 billion for the year ended 31 March 2012.

HKT Group is one of the principal telecommunications service providers listed in Hong Kong, recording annual turnover and net profit attributable to shareholders of approximately HK\$21.1 billion and HK\$1.7 billion respectively for the year ended 31 December 2012 and with a market capitalisation of approximately HK\$41.3 billion as at the Latest Practicable Date.

The Hong Kong Housing Society is an independent and not-for-profit housing organisation established in 1948 as authorised by the Government with the objective of, inter alia, providing housing for the residents of Hong Kong. It recorded total revenue of approximately HK\$1.1 billion for the year ended 31 March 2012.

Company B is a major mass transportation operator listed in Hong Kong which is also engaged in other related businesses such as property development along the transportation network it operates. It recorded annual turnover and net profit attributable to shareholders of approximately HK\$35.7 billion and HK\$13.5 billion respectively for the year ended 31 December 2012. Its market capitalisation was approximately HK\$173.4 billion as at the Latest Practicable Date.

Our Directors believe that the property development and the utilities services markets in Hong Kong are characterised by the presence of a small number of sizeable developers, and telecommunications companies and electricity supply companies respectively. Further, the supply of water services in Hong Kong is monopolised by WSD. As a result, given the market landscape of the industries in Hong Kong in which our Group is involved, the potential customer base of our Group is limited and our Directors consider that this situation is not specific to our Group. In particular, our Directors believe that it is unlikely for civil engineering contractors engaging in waterworks projects in Hong Kong to break off reliance on WSD. On the other hand, to ensure clear delineation of business activities

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between our Group and the Retained Vantage Group, our Group will continue to focus on civil engineering construction business and shall cease to engage in building construction and maintenance works after the completion of TW7 Project. Hence, our Group shall not rely on Company A, being the largest customer of our Group for the year ended 31 March 2013 and the four months ended 31 July 2013 after the completion of TW7 Project.

Amongst other things, the relatively high concentration of our revenue on our top 5 customers during the Track Record Period was due to the limitation as to how many projects our Group is able to tender for and work on at a particular point in time resulting from constraints in our working capital and human resources. Given that our Group has already been engaged in a number of sizeable projects during the Track Record Period, our Group would have to be selective in our choice of potential customers, in particular in tendering for projects of new customers. This is because the ETWB has established minimum employed and working capital requirements for accepting a tender for civil engineering works in the public sector. Accordingly, during the Track Record Period, our Group has been intentionally allocated more resources to provide services to certain customers in their civil engineering works. As TW7 Project is expected to be completed in mid-2014, our Group plans to diversify our customer base by tendering for roads and drainage works, landslip preventive and remedial works to slopes and retaining walls, and utilities works from our existing customers as well as selectively undertaking new projects from other sizeable utilities companies and organisations in Hong Kong.

We have maintained business relationships with two of our five largest customers, WSD and HKT Group, for over 30 years.

There is a presence of a few substantial players in the civil engineering industry, making it unlikely for companies in the same line of business as us to break off reliance on some major customers. Despite this, our Directors believe that we have the skills, track record and connection to find substitute customers by deploying our resources to tender for other civil engineering works projects in Hong Kong in order to diversify our business to reduce our reliance on our existing major customers. Taking into account of the above and given the scale, reputation and good credit history of our major customers with relatively minimal credit risk in receiving payment from them, our Directors believe that the risk arising from concentration on particular customers has been manageable.

None of our Directors or their respective associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

KEY CUSTOMER CONTRACT TERMS

Generally, our customer contracts contain terms relating to the contract price, the scope of work, conditions and specifications, the payment terms, progress payment and retention monies, performance bond or surety bond requirements, guaranteed maintenance provisions, liquidated damages and determination/termination. In some of the contracts with the Government, there is a contract price fluctuation clause. A summary of the key terms of our customer contracts is set forth below which applies to the principal business engaged by our Group:

Payment terms

Our contracts with our customers will generally include payment terms such as the total contract sum, the payment procedure, the frequency of payment and the payment method.

In order to protect the contractors from certain changes in the costs of labour and materials used in the public sector construction projects, some of the Government contracts provide for a contract price adjustment mechanism (both upward and downward adjustments) with reference to certain price indices such as the index for the average daily wages of workers engaged in the public sector construction projects and the index for the average wholesale prices of selected materials compiled and published by the CSD (the “**Price Indices**”).

Progress payment and retention monies

We normally receive progress payment from customers on a monthly basis with reference to the value of works done. In general, we submit an interim payment application to our customers on a monthly basis according to the amount of works completed during the month. Once we have submitted a monthly application for interim payment, the authorised person, such as the architects employed by the customers, would issue a progress certificate certifying the works progress in the preceding month. It normally takes about three to four weeks for such certificates to be issued. Upon the issue of the certificate, the customer is deemed to have an obligation to pay our Group the amount certified less retention money. Payments are generally made within 30 days after the issue of the progress certificate from both public and private sector customers.

In most contracts, there is a contract term for the customers to hold up the retention money from the progress payment. The retention money for each project generally ranges from 1% to 10% of the total contract sum. Generally, for the retention money, either the first half of the retention money is released upon completion of the project and the second half of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of our works, or all of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of our works.

Performance bonds/Surety bonds

In order to secure due and timely performance of the main contractor, it is common for customers to request the main contractor to take out performance bonds or surety bonds issued by a bank or an insurance company in favour of the customers according to the contract terms.

Generally, the amount of performance bonds required for each project would not exceed 10% of the total contract sums. The performance bonds or surety bonds normally expire after completion of the project or as specified in the relevant contract. As of 31 July 2013, the total value guaranteed under performance bonds or surety bonds issued by our banks amounted to approximately HK\$37.8 million. Such performance bonds or surety bonds are generally released upon the due completion by us of the contracted work or by a certain stipulated date. We are generally required to provide a counter-indemnity to the bank that issues the performance bond or surety bonds for us in relation to the main contract with our customers.

Guaranteed maintenance period

The customers would normally require a guaranteed maintenance period, during which we are responsible to rectify works defects. The guaranteed maintenance period normally represented one year upon completion of the project. Normally, we would require a back-to-back guaranteed maintenance period from the sub-contractors.

Once defects are identified, the project manager or his delegate shall agree a rectification works programme with the customers for which the defects are remedied at the most convenient time. Where the defect requires remedy by a sub-contractor, the project manager or his delegate shall supervise his works whenever practicable.

If there is any work defects found by our customers, the relevant sub-contractor is in general responsible for rectifying the work defects in accordance with the back-to-back defect liability clause of the sub-contracting agreement with our Group and thus such sub-contractor is usually the party to bear all the costs in rectifying the work defects. To the best knowledge of our Directors, the costs incurred by our Group in rectifying the work defects during the Track Record Period were insignificant.

There were no material claims in relation to work defects which are brought against our Group by our customers during the Track Record Period.

Liquidated damages

Construction contracts typically provide for liquidated damages to be payable if the project is not completed in accordance with the time schedule specified in the contract.

Among all the projects completed by our Group during the Track Record Period, we have experienced delays, based on the finally endorsed view of our customers, in the completion of 2 projects. In one of such projects, HK\$7,020 of liquidated damages was claimed by the relevant customer and settled by our Group and in the other one, the amount

of liquidated damages to be claimed by the relevant customer is yet to be determined but is expected to have no material adverse effect on our Group's financial position. Further, our Directors confirm that we have not experienced any cost overruns in any of the projects completed during the Track Record Period.

In this connection, we have been implementing certain measures for monitoring and managing the risk of costs overruns and delays, including but not limited to (a) our contract implementation procedures which include (i) establishment of a project team on project basis for management and supervision after the award of each contract; (ii) assignment of senior management and contracts manager to monitor programme and progress of work, handling of contractual matters, cost and claims issues; (iii) holding of regular project meetings chaired by our Directors and senior management to monitor site performance, performance of sub-contractors, review construction method, technical issues and other site matters; and (iv) conducting quarterly internal quality audits; (b) our accounting procedures and requirements for authorisation of expenditure on project works and procedures for budget control and review; together with (c) our quality management system, environmental management system and occupational health and safety management system that were accredited with ISO 9001, ISO 14001 and OHSAS 18001 certifications respectively.

Determination/Termination

Our contracts with our customers include determination or termination clauses giving both parties right to terminate in different circumstances.

Grounds upon which these contracts may be terminated by our customers generally include failure to remedy within a specified time period certain contractual breaches by us such as abandonment of the contract, suspension of or failure to carry out works without reasonable cause or in accordance with specifications, refusal to comply with customer's representative or architect's or engineer's instructions, assignment of the contract or sub-contracting the whole of the works without prior written notice of the customer, and making a composition or arrangement with creditors, facing a petition for winding up or entering into liquidation by us.

Grounds upon which these contracts may be terminated by us generally include default in payment of sums due to us under the contract within a specified period of time on the part of the customer, and making a composition or arrangement with creditors, facing a petition for winding up or entering into liquidation by us.

CREDIT MANAGEMENT

We normally secure our business through competitive tender process. Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customers as well as the key contract terms (including progress payments and retention money provisions) stipulated in the relevant tender document. We will closely monitor the payments from the customers pursuant to the terms of each respective contract. We receive payments from our customers in the form of progress payments and the release of retention monies. Our customers normally settle our project payments by cheque or bank transfer.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, our average accounts receivable turnover days were 58.8 days, 57.3 days, 65.6 days and 48.0 days respectively.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, we did not experience any material collectability problem for our trade and retention money receivable and there had been no provisions for impairment of trade and retention money receivables. The provision for impairment of trade and retention receivables are made when there is objective evidence that our Group will not be able to collect part or all of the amounts due under the original terms of the invoice. Such evidence may include probability of insolvency or significant financial difficulties of the debtor and significant changes in market, economic or legal environment that have an adverse effect on the debtor or refusal of payment by debtor due to disagreement with debtor.

SUPPLIERS

Our Group's five largest suppliers being our sub-contractors together accounted for approximately 96.2%, 95.0%, 98.9% and 99.4%, respectively, of our 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. During the same period, our Group's 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 respectively.

Able Contractors, an entity engaged in building construction business is our largest sub-contractor for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, which is a connected person of our Company by virtue of it being a wholly owned-subsiidiary of Vantage, one of our Controlling Shareholders.

As described in the section headed "Connected Transactions" in this prospectus, we sub-contracted the building construction works in TW7 Project to Able Contractors. TW7 Project is expected to be completed by mid-2014 and thereafter Able Contractors will no longer engage in any sub-contracting work for us and we will no longer engage in any building construction business.

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As at the Latest Practicable Date, Mr. Li Chi Pong, our executive Director, and Mr. Yau Kwok Fai, our non-executive Director and a director of Vantage were interested in 0.32% and 2.25% respectively in the issued share capital of Vantage which indirectly owns 100% of the issued share capital of Able Contractors, our largest sub-contractor for each of the three years ended 31 March 2013 and the four months ended 31 July 2013.

Other than as set out in the paragraph above, none of our Directors or their associates or any Shareholders (to the knowledge of our Directors) holding more than 5% of our Company's issued share capital had any interests in the five largest sub-contractors during the Track Record Period.

As mentioned in the paragraph headed "Selection of Sub-contractors" of this section, we delegate parts of the construction works to our sub-contractors and will purchase certain construction materials and equipment for the use of our sub-contractors. The relevant costs of the materials and equipment will be deducted accordingly from the sub-contracting fees in accordance with the relevant sub-contracting agreements/arrangements for all our projects where we purchase construction materials and equipment for the use of our sub-contractors. In general, we do not carry inventories of construction materials in excess of those reasonably required to meet the schedule of the construction works.

The principal construction materials that are used by our sub-contractors for undertaking our civil engineering and building construction works include pipes and fittings, concrete and steel. During the Track Record Period, the largest material supplier from which we purchased materials for the use of our sub-contractors accounted for approximately 29.1%, 26.2%, 36.8% and 38.5% of our Group's cost of construction materials purchased for the use of our sub-contractors for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively.

The 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%, respectively, of our cost of materials purchased for the use of our sub-contractors for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively. None of our Directors or their respective associates or any of our Shareholders who (to the knowledge of our Directors) owns more than 5% of our issued share capital had any interests in any of the five largest material suppliers which we purchased materials from for the use of our sub-contractors during the Track Record Period.

During the Track Record Period, we had not experienced any significant disruption in the provision of work by our sub-contractors or the supply of construction materials by our material suppliers. We maintain good and long-standing working relationships with our sub-contractors and material suppliers. Some of these sub-contractors and material suppliers have working relationships with us for more than 7 years. Our Group usually enters into supply contracts with its material suppliers on a project basis and in general the term of such supply contracts mirrors the contract period for the relevant project.

INVENTORY

We act as the main contractor and delegate parts of the construction works to our sub-contractors and will, depending on the requirements of the projects, purchase construction materials and equipment for the use of our sub-contractors. Therefore we do not carry inventories of construction materials in excess of the levels reasonably required to meet the schedule of construction works.

QUALITY CONTROL

We believe that our commitment to enhancing the quality of our management and construction works is instrumental in maintaining our overall reputation. In pursuit of quality, we implement and operate a quality management system in accordance with the requirements of ISO 9001 and were first accredited by HKQAA with ISO 9001 certification in 1994.

To achieve the above objectives, our Group has established and maintained a quality management system for implementation in our head office and all of our site offices. Quality control measures implemented by our Group under the quality management system include:

- Determining the works (including materials) requirements at tender stage and review of tenders;
- Identifying the procedures to be followed to ensure that the purchased materials conform to specified purchase requirements;
- Evaluating the performance of suppliers and sub-contractors to ensure that their performance are considered acceptable to remain on the authorised list;
- Monitoring the work progress to ensure the specified requirements and the planned results of processes are met;
- Ensuring the non-conforming materials and works are identified and preventing its unintended use or delivery;
- Identifying the methods for receiving, handling and storage of purchased materials and identification and preservation of materials; and
- Identifying training needs and arranging the training activities to ensure the staff are competent to carry out the assigned job.

Mr. Wong Kin Yan is the environmental and quality manager of our Group. He is directly responsible for the implementation, operation and maintenance of our Group's quality management system which meets the requirements of ISO 9001.

On the operational level, a project team will be established on project basis after a contract has been awarded. The number of project team members assigned to different projects varies depending on, among other things, the complexity of the projects, contract sum, and requirements regarding qualifications and experience of project team members specified in the relevant contract.

To ensure delivery of quality work to our customers, our project team members are well trained in implementing our quality control measures which comprise monitoring, verifying and validating the construction, installation works and materials before delivery of completed project works to our customers. Regular inspection will be conducted by our project team members to ensure that the work completed conforms to the specifications and requirements set out in the relevant contract. Further, to prevent repeated nonconformities, the responsible contracts manager and environmental and quality manager will, from time to time, evaluate the need of action to prevent occurrence of nonconformities and implement preventive action to eliminate causes on potential nonconformities.

We procure the supply of materials and equipment for the use of our sub-contractors from our own authorised list of suppliers which we have had satisfactory past business relationships. Similar to our selection system of suppliers, we have also maintained a list of authorised sub-contractors to ensure the overall quality of the project. Other than our subcontracting arrangement with our only building construction sub-contractor, Able Contractors which is a connected person of our Company, the selection of sub-contractors for our civil engineering construction works are based on a set of criteria as set out in our Group's internal quality procedures including past experience, performance, skill and resource capabilities.

To ensure that our quality management system conforms to the planned requirements and the requirements of ISO9001 standard, our environmental and quality manager is responsible for planning and carrying out internal quality audits. Each quarter, internal quality audits are being carried out at our head office and each project site. New projects will also be audited at a time no later than two months after commencement of work. The audits are carried out by our staff who act as auditors and are independent of the area being audited and are nominated by the environmental and quality manager. Such audit is to be conducted through interview with the responsible manager or supervisor as well as the auditor collecting evidence through observation and review of records or other supporting documents. Any detected non-conformity will be followed up and corrective actions will be implemented. The auditor will verify and record the implementation and effectiveness of the corrective actions taken on such non-conformities in the next audit.

AWARDS AND ACCREDITATION

In recognition of our Group's outstanding performance and quality of works, our Group has received the following awards or certificates from different departments of the Government and professional accreditation organisations:

Certificate for compliance with ISO/OHSAS requirements

Year of grant	Description	Awarding organisation
2013 <i>(Notes 1 & 4)</i>	Certificate for compliance with the requirements of ISO 9001:2008 Quality management system standard, applicable to construction and maintenance of civil engineering works, construction of foundation works, construction activities to keep, restore and improve civil engineering works, construction of landslip preventive and remedial works to slopes and retaining walls, building activities to keep, restore and improve the facilities of buildings and surroundings and construction of buildings, construction of copper, fibre and block-wiring works, maintenance and installation of outside plant cable network and broadband equipment, including customer services and main distribution frame works.	HKQAA
2010 <i>(Notes 2 & 4)</i>	Certificate for compliance with the requirements of ISO 14001:2004 Environmental management system standard, applicable to construction of civil engineering works, construction of buildings, construction of foundation works, construction activities to keep, restore and improve civil engineering works, construction of landslip preventive and remedial works to slopes and retaining walls and building activities to keep, restore and improve the facilities of buildings and surroundings.	ACIL
2013 <i>(Notes 3 & 4)</i>	Certificate for compliance with the requirements of OHSAS 18001:2007 Occupational health and safety management system, applicable to construction of civil engineering works, construction of buildings, construction of foundation works, construction activities to keep, restore and improve civil engineering works, construction of landslip preventive and remedial works to slopes and retaining walls and building activities, to keep, restore and improve the facilities of buildings and surroundings.	ACIL

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In recognition of our Group's quality services, environmental protection and safety practice

Year of grant	Description	Awarding organisation/ Government department
2012	2012 Workplace Hygiene Competition — Champion of contractor worksite (Property Project) <i>Contract no. 24911 — West rail property development at Tsuen Wan West Station</i>	MTR Corporation Limited
2009	Certificate of appreciation for good performance on safety, health and environmental aspects <i>Contract no. 07/8014 — Cable diversion at Kai Lung Wan Reservoir Road</i>	The Hong Kong Electric Co., Ltd.
2009	Certificate of appreciation for good performance on safety, health and environmental aspects in Lamma power station <i>Contract no. 08/8010-Road, utilities and external works in Lamma power station and its extension and miscellaneous improvement works</i>	The Hong Kong Electric Co., Ltd
2007	Hong Kong 2007 construction environmental award, environmental merit award — Outstanding environmental performance	WBDB, Environmental Protection Department & the Hong Kong Construction Association
2006	Considerate contractors site award scheme 2005 award certificate <i>Contract no. 04/8012 Lamma wind power station (Site formation works)</i>	WBDB
2004	Considerate contractors site award scheme 2003 award certificate <i>WSD Contract No. 2/WSD/02</i>	WBDB
2001	Green contractor bronze award <i>Contract no. SSJ328 Basement and piling foundations for Building 5, Science Park</i>	Architectural Services Department

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Year of grant	Description	Awarding organisation/ Government department
2001	Considerate contractors site award scheme 2000 award certificate <i>Contract no. DC/98/12 Construction of village flood protection works for Pok Wai and stormwater intercepting drain for Wang Chau</i>	WBDB

Notes:

- 1. EXCEL and GADELLY were first accredited with ISO 9001 compliance certifications in 1994 and 2001, respectively. The current certificates of EXCEL and GADELLY will expire on 8 February 2016.*
- 2. EXCEL was first accredited with ISO 14001 compliance certifications in 2007. The current certificate will expire on 22 December 2013.*
- 3. EXCEL was first accredited with ISO 18001 compliance certifications in 2010. The current certificate will expire on 30 January 2016.*
- 4. The accreditation body conducts an external audit to access the relevant management system is in conformity of the standards in place every three years. Such external audit is normally conducted before the expiry of the relevant ISO certificate. Upon satisfaction in regards to the relevant management system, a renewal certificate will be issued.*

In addition, our Group has received certain appreciation letters from the public during the Track Record Period, such as a district councilor's office, in recognition of our Group's performance on its civil engineering construction works.

ENVIRONMENT

Our Group is committed to enhancing and improving technology and services to fulfill its social responsibilities to both the community and environment. In delivering civil construction works, our Group aims to ensure that all services are delivered with high quality and are conducted in an environmentally responsible manner. We believe that a successful environment management is important for us to meet customers' demand in environment protection and to ensure healthy growth and sustainable development of our business. In this connection, we have set up an environmental management system to promote environmental awareness and to prevent pollution of the environment.

Our environmental management system currently in place was accredited by ACIL with ISO14001 certification. Some of our environmental protection measures include:

- determining what activities may result in significant impact to the environment and ensure that those significant environmental aspects are taken into account in establishing, implementing and maintaining our environmental management system;

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- ensuring that we are committed to regulatory compliance and comply with industry best practices from an environmental perspective in undertaking our activities; and
- taking into consideration the legal and other requirements, the significant environmental aspects, technological, financial, operational and other business requirements when establishing and reviewing our environmental objectives so that they are consistent with a commitment to pollution prevention.

Our environmental and quality manager is responsible to ensure that our environmental management system is established, implemented and maintained and that any recommendations for improvement be reported to our top management. We also ensure that our sub-contractors and their workers comply with our environmental protection policy on the basis of appropriate education, training and/or experience. In particular, we hold regular meetings with them to discuss environmental related issues during the course of a project. Further, environmental management system, operational control and compliance training is provided for our employees performing activities which can cause significant environmental impact so as to ensure compliance with the regulatory and internal requirements and to enhance their competencies.

In addition, our Group has continuously observed the laws and regulations in relation to environmental protection in Hong Kong including Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance and Environmental Impact Assessment Ordinance. Prior to the commencement of work, our Group will assess the implications and requirements of the aforesaid ordinances and apply for necessary permits (if applicable) to conduct its work. The breach of the aforesaid environmental protection ordinances may lead to penalty or fine by the relevant government authorities or even termination of works. During the Track Record Period and as at the Latest Practicable Date, to the best knowledge of our Directors, there have been no material violations of applicable environmental laws and regulations in Hong Kong. Our Directors are of the view that the amount of fines our Group was subject to as a result of the breach of the Public Health and Municipal Services Ordinance during the Track Record Period was not material to our Group, and was HK\$2,800, HK\$2,500, nil and nil respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Such breaches relate to Sections 27(3) and 150 of the Public Health and Municipal Services Ordinance and involve larvae of mosquito found in the relevant construction site.

During the Track Record Period, the cost of compliance with applicable environmental laws and regulations in Hong Kong were approximately HK\$1.56 million, HK\$1.00 million, HK\$1.45 million and HK\$0.66 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Our Group expects such cost going forward would be at similar level as the annual cost for the year ended 31 March 2013, but it is subject to the nature and scale of future projects. We were in compliance with applicable environmental laws and regulations in all material respects.

LABOUR, HEALTH AND SAFETY MATTERS

We are subject to laws and regulations relating to labour, health and safety of Hong Kong. Please refer to the section headed “Regulatory Overview” in this prospectus for summaries of the applicable labour, health and safety laws and regulations of Hong Kong.

During the Track Record Period, there were no material violations of any applicable labour or health regulations in Hong Kong by us, nor were there any material claims against our Company relating to labour, health and safety issues. Our Directors consider that employment of illegal workers has not been an issue for our Group, as our Group does not hire illegal workers and it is customary that under the sub-contracting agreements we enter into, our sub-contractors are obliged to record workers’ details and to enter into agreements with their workers, a copy of which should be delivered to us together with copies of identification documents of the workers from time to time. We believe we have taken sufficient and appropriate measures in verifying the eligibility of the workers hired by our sub-contractors.

Our Directors are of the view that the amount of fines our Group was subject to as a result of the breaches of safety regulations in Hong Kong during the Track Record Period was not material to our Group, and was nil, nil, HK\$21,000 and nil for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. Such breaches relate to the Factories and Industrial Undertakings Ordinance. We take safety issues very seriously. We are committed to providing a safe and healthy working environment for the benefit of our staff, the sub-contractors and the general public. We believe that our corporate image as a quality civil engineering construction company could be enhanced through continual improvement in safety standard.

All levels of management have a primary responsibility for the safety and health of all employees of our Group. We have set up an occupational health and safety management system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. In the system, we have established a safety and health organisation to ensure that our operations are carried out in a safe manner which is under constant review. The organisation includes the safety and health management committee, the site safety and health committee for each project, the safety officers and the safety supervisors. Amongst other things, the safety and health management committee is responsible for:

- establishing and continually reviewing our safety and health policy and to assess how well it is being implemented;
- implementing procedures and systems whereby our safety and health policy is put into effect;
- reviewing reports of major accidents and incidents and statistics to identify trends and monitoring safety performance;
- reviewing arrangement, adequacy and effectiveness of safety training;

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- reviewing the latest legislation and regulation changes on safety issues; and
- establishing safety audits and reviewing safety audit reports.

We endeavor to ensure that we comply with all relevant laws and regulations on labour, health and safety in Hong Kong by evaluating the hazards of our projects and preparing risk assessments of our job sites, which are reviewed and updated periodically to include new items that were not previously included, such that any unsafe conditions not covered by the risk assessments will be corrected. The safety representative at the work site is required to ensure that the site personnel receive the relevant safety training and undergo the induction course provided by the main contractor such that the site personnel become familiar with the specific conditions of the job site. In addition, the safety representative has to ensure that all personnel wear necessary protective equipment at the job site, evaluate the job site for any unsafe conditions and take appropriate steps to eliminate exposure to hazard our conditions at the job site. Our Group's occupational health and safety management system currently in place has been certified compliance with OHSAS 18001 by ACIL.

To demonstrate our recognition of the importance of safety and to avoid accidents on construction sites, we manage our project using our safety and health manual which governs our practice to deal with a wide range of potential hazards that may occur on our work locations. The safety plans are reviewed from time to time to ensure they can effectively assist us in avoiding accidents. For each of our projects, a safety inspection programme will be drawn up in which our project manager is required to arrange for the appointment of competent persons to conduct site safety inspections for the project at least once a month. Moreover, preventive measures such as risk assessment has been conducted on each of our projects at the outset to identify the risks associated with such project to determine and subsequently implement certain precautionary measures to develop safe working procedures for the identified job hazards. The personal protection programme in the safety and health manual will be followed when the risk assessment identifies the need for personal protective equipment, such as eye protection, hearing protection and respiratory protection. The site safety induction training consists of the use of safety helmet, dust respirator, goggles, safety belt and ear protective equipment. Special training will be arranged separately for any other specific equipment.

Lastly, to ensure our projects are undertaken in a safe manner, we conduct safety assessment on our sub-contractors. During the contract period, our project manager arranges regular meetings with our sub-contractors to discuss a variety of matters including the health and safety aspects of the project, so that our sub-contractors understand such aspects of the project as well as our safety rules and procedures. We also assign a safety officer to each of the projects to monitor the daily safety matters and provide health and safety guidance to the sub-contractors' employees. Our sub-contractors are required to report to us if any accidents occur in the construction sites. We keep records of all accidents and report the same to our insurers accordingly.

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Contractors qualified or licensed by the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Government works. For example, if a qualified/licensed contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor. Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for public works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor's qualification/licence to a lower status or class in all or any specified category), temporary suspension of work in a specific project, depending on the seriousness of the incident triggering the regulatory actions.

In order to determine the compliance of implementation of our safety management system and its effectiveness in meeting our policy and objectives, safety audits are carried out at least once every 6 months. Our safety audit will examine our compliance with our safety plan, the statutory requirements and contractual requirements as well as physical condition of our sites.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any fatal construction accident on construction sites for which we were responsible as main contractor and have not suffered from any removal, suspension, downgrading or demotion of our qualifications or licences. Notwithstanding the aforesaid, our employees or the employees of our Group's sub-contractors may be involved in accidents caused by common workplace issues resulting in injuries from time to time given the nature of our operations. During the Track Record Period, our Group has certain relatively minor workplace accidents which resulted in insignificant bodily injuries and did not cause any fatality. With reference to public information on the accident rate and fatality rate for workers in the Hong Kong construction industry, our Directors consider that our Group's accident rate for its projects for the three years ended 31 December 2012 was lower than the industry average. The table below summarises the accident rates per 1,000 workers and fatality rates per 1,000 workers of the construction industry in Hong Kong and of our Group's projects:

	For the year ended 31 December					
	2010		2011		2012	
	Accident rate	Fatality rate	Accident rate	Fatality rate	Accident rate	Fatality rate
	<i>(per 1,000 workers)</i>		<i>(per 1,000 workers)</i>		<i>(per 1,000 workers)</i>	
Construction industry in Hong Kong*	52.1	0.163	49.7	0.367	44.3	0.337
Our Group	19.3	0	14.7	0	18.9	0

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	For the year ended 31 March						For the four months ended 31 July	
	2011		2012		2013		2013	
	Accident rate <i>(per 1,000 workers)</i>	Fatality rate	Accident rate <i>(per 1,000 workers)</i>	Fatality rate	Accident rate <i>(per 1,000 workers)</i>	Fatality rate	Accident rate <i>(per 1,000 workers)</i>	Fatality rate
Our Group	18.1	0	19.4	0	13.9	0	3.5	0

* *Source: Occupational Safety and Health Statistics Bulletin Issue No. 13*

Note: Our Group's accident rate per 1,000 workers is calculated as the occurrence of accidents during the year/period divided by the average number of construction site workers during the year/period and then multiplies the result by 1,000. The average number of construction site workers includes employees of our Group and our sub-contractors.

A table showing our Group's lost time injuries frequency rates ("LTIFR(s)") is set out below:

For the year ended 31 March 2011	6.8
For the year ended 31 March 2012	7.2
For the year ended 31 March 2013	5.2
For the four months ended 31 July 2013	4.0

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated as multiplying the number of lost time injuries of our Group happened during the relevant financial year/period by 1,000,000 and then dividing by the number of hours worked by the workers at our construction sites over the same financial year/period.

We also had certain claims for employees' compensation and personal injuries arising from the workplace accidents occurring in our projects, further information of which are set out in the paragraph "Litigation and claims" in this section. We have taken out insurance in compliance with applicable laws and regulations with a view to providing adequate coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these accidents did not have a material impact on our Group's operations.

EMPLOYEES

We had a total of 240, 392, 396 and 359 employees as of 31 March 2011, 2012 and 2013 and 31 July 2013, respectively. For a breakdown of the number of our employees by function as at the Latest Practicable Date, please refer to the section headed "Directors, Senior Management and Employees — Employees" in this prospectus.

We do not need to maintain a large labour workforce as the actual construction work for our projects were mainly carried out by construction workers who are employees of our sub-contractors. Most of our staff working in construction sites are responsible for project management and supervision.

BUSINESS

We place great emphasis on the training and development of our employees and provide a wide range of training programmes for them. Other than internal courses presented by our managers, we also engage outside professionals and consultants to organise seminars and training courses to equip our employees with new knowledge in the industry. In addition, we have set up a graduate engineer training programme, which is recognised by the Hong Kong Institution of Engineers (“HKIE”) as a “Scheme A” approved organisation with discipline in civil engineering. Since 2000, 25 graduate engineers were trained by our Group, 17 of them still remained as employees of our Group as at 31 July 2013 and 8 of whom were qualified professional engineers.

After successful completion of our graduate engineer training programme, the trainee will receive a training certificate so that he/she can apply to become a qualified professional engineer and apply for the HKIE corporate membership within the civil engineering discipline.

We had not experienced any significant problem or dispute with our employees or suffered disruptions due to any labour dispute during the Track Record Period. Our Directors believe that we maintain a good working relationship with our employees.

COMPETITION

The key contractor players of 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.

Since we shall cease our building construction and maintenance business upon completion of TW7 Project, 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. According to WBDB, there were a total of 36 approved contractors listed on the Contractor List under the categories of “Waterworks” for Group C as at the Latest Practicable Date. Approved contractors under other categories may also be our competitors depending on the nature of the projects.

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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.

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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 year ended 31 July 2013.

The competition in the industry in Hong Kong has been fierce in the past few years. We believe that we are able to withstand the intense competition due to our competitive strengths as follows:

- Established operating history and track record in civil engineering construction projects
- Well-positioned to capture the emerging business opportunities
- Consistent delivery of high quality services through stringent quality assurance and strong commitment to high safety standard and environmental impact control
- Systematic and effective tender review procedure
- Long-standing relationship with sub-contractors
- Experienced management team

BUSINESS

For details, please refer to the paragraph headed “Our Competitive Strengths” of this section.

The Government adopted a new procurement policy for public works projects that came into effect in May 2004. Instead of awarding the winning bid to the bidder offering the lowest price, under the new procurement policy, evaluations of tenders are based on a formula approach, in which a tenderer’s performance rating is taken into account to a significant extent. While international contractors may have abundant financial resources as well as experience in overseas projects, we believe that their lack of local experience in the technical and management aspects may have a negative impact on their competitiveness in tendering a project.

We also believe that the requirements on the financial, technical and management aspects of a contractor for inclusion on the Contractor List provides an effective entry barrier against international and local contractors who are not currently approved contractors but wish to take part in the waterworks engineering services for the public sector in Hong Kong.

PROPERTIES

Owned properties

As at the Latest Practicable Date, a wholly owned subsidiary of our Company owned car parking space Nos. 54 and 56 on Ground Floor, Oxford Court, Nos. 24–26 Braemar Hill Road, North Point, Hong Kong. Such owned properties are held for investment purposes.

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. As of 31 July 2013, no single property owned by us had a carrying value exceeding 15% of our total assets. No property valuation report in respect of our property interests is required in reliance upon the exemption provided by Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Leased properties

Our headquarters and principal place of business is situated at No. 155, Waterloo Road, Kowloon Tong, Kowloon, Hong Kong. As of the Latest Practicable Date, we leased the head office and principal place of business from a wholly owned subsidiary of one of our Controlling Shareholders, Vantage. Other than office premises, we also rented other premises from Independent Third Parties as construction site offices. Particulars of the lease agreement in relation to our principal place of business are set forth in the section headed “Connected Transactions” in this prospectus.

LEGAL AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we have been in compliance in all material aspects with the applicable laws and regulations and have obtained all necessary approvals, permits licence, certificates that are material to our business operations from the relevant government authorities. We had not been involved in the short piling scandal that had affected the Hong Kong Housing Authority in 2000.

Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Government works. Please refer to the section headed “Regulatory Overview” in this prospectus for summaries of the applicable laws and regulations of the construction industry of Hong Kong.

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The following table summarises the details of the major qualifications and licences obtained by the members of our Group as an approved contractor as at the Latest Practicable Date:

Relevant Government authority/organisation	Relevant list/category	Status	Holder/year of inclusion
WBDB	Approved contractors for public works — Waterworks category (Group C)	Confirmed	EXCEL/2005
WBDB	Approved contractors for public works — Roads and drainage category (Group C)	Probationary	EXCEL/1997
WBDB	Approved contractors for public works — Buildings category (Group A)	Confirmed	EXCEL/1982
WBDB	Approved specialist contractors for public works — Landslip preventive/remedial works to slopes/retaining walls category	Confirmed	EXCEL/2010
WBDB	Approved contractors for public works — Waterworks category (Group B)	Probationary	GADELLY/1998
Hong Kong Housing Authority	Approved building contractors — Maintenance category (Group M2)	Probationary	EXCEL/1993
Hong Kong Housing Authority	Approved decoration contractors	Effective	EXCEL/1994
Buildings Department	Registered general building contractors	Effective	EXCEL/1999
Buildings Department	Registered specialist contractors — Foundation works category	Effective	EXCEL/2000
Buildings Department	Registered specialist contractors — Site formation works category	Effective	EXCEL/2000
Electrical and Mechanical Services Department	Electrical works — Registered electrical contractor	Effective	EXCEL/2012

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Pursuant to the Buildings Ordinance, it is required for the applicant of the general building contractors licence or specialist contractors licence to appoint at least one person to act for the applicant (the “**Authorised Signatory**”) and to appoint at least one director from the board of directors of the applicant as technical director as key personnel. Our Group has appointed our Director, Mr. Li Chi Pong, as the Authorised Signatory and our Director, Mr. Poon Yan Min, as the technical director for the general building contractors licence and the specialist contractors licences.

For licences issued by WBDB, the contractor is required to comply with the top management and/or technical staff requirements as specified in the Contractor Management Handbook. Our Director, Mr. Li Chi Pong acts as the top management for (i) waterworks, (ii) roads and drainage, (iii) buildings and (iv) landslip preventive/remedial works to slopes/retaining walls categories. Our members of the senior management Mr. Tang Quoc Tri (our contracts manager), Mr. Poon Yan Min (our Director), Mr. Wong Kin Sang (our project manager) and Mr. Chung Tsz Wing (an engineer in our Group) act as technical personnel for (i) waterworks, (ii) roads and drainage, (iii) buildings and (iv) landslip preventive/remedial works to slopes/retaining walls categories respectively. Our Group has also assigned Mr. Lai Kon Ting, our project manager, as professional staff and Mr. Pak Lung Kong, a safety officer in our Group, as safety staff for landslip preventive/remedial works to slopes/retaining walls category.

As there are other employees in our Group who possess the qualifications and experience to be the key personnel as specified above and there is a substantial number of such specialists available in the market, our Directors are of the view that our Group will be able to maintain its licensed contractors status if there is a departure of any licensed specialist.

Our Directors confirm that all members of our Group have been granted all the required licences and approval for carrying on their respective business activities and confirm that such required licences and approvals were valid and subsisting as at the Latest Practicable Date. Apart from the qualifications and licences set forth above, our Directors further confirm that no other qualifications and licences are required to be obtained or applied for in respect of the current business activities of all members of our Group.

INSURANCE

It is a practice in Hong Kong construction industry that the main contractor of a project will take out and maintain employees’ compensation insurance and contractor’s all risks insurance for the entire project. The insurance policy generally covers the entire contract period, including the defect liability period following completion of the project. Our Directors will ensure that all the necessary and the required insurance policies will be taken out and maintained in accordance with the requirements of the relevant contractual documents and the applicable laws and regulations.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group or the respective project owner (to the knowledge of our Directors) has taken out and maintained insurance policies in respect of employees’ compensation and contractors’ all risks for the projects in which members of our Group act

BUSINESS

as main contractors. The employees' compensation insurance policies provide for a maximum limit of liability of up to HK\$200 million per event. Our Directors confirm that the insurance policies in respect of employees' compensation maintained by us cover the employees of our sub-contractors and further sub-contractors down the tiers.

Our Directors also believe that the above arrangements are consistent with the industry practice in Hong Kong. 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 us. On this basis, our Directors consider that all the necessary and the required insurance policies have been maintained in accordance with the relevant contractual documents and the applicable laws and regulations.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, the total insurance premium for our projects amounted to approximately HK\$1.7 million, HK\$29.7 million, HK\$23.2 million and HK\$0.9 million, respectively. Our Directors confirm that our Group has obtained adequate insurance coverage for the operation of our business.

LITIGATION AND CLAIMS

In the ordinary course of our Group's civil engineering construction business, our Group has been subject to a number of claims, mainly due to personal injuries suffered by employees of our Group or our Group's sub-contractors in accidents arising out of and in the course of their employment or claims arising from the quality or the timing of the work performed under various contracts. Our Directors are of the view that occurrence of personal injuries is not uncommon in the industry. In the past, there were accidents which occurred in connection with our civil engineering construction projects, which resulted in persons being injured during the Track Record Period and up to the Latest Practicable Date. All of the outstanding claims are being handled by our Group's insurance companies. Our Directors are of the opinion that such claims are well covered by insurance and would not result in any material impact on the financial position or results and operations of our Group.

Save as disclosed below, our Directors confirm that we have not been involved in any other litigation, proceedings, or claims during the Track Record Period and as at the Latest Practicable Date, the outcome of which we believe might, individually or taken as a whole, materially and adversely affect our business, operations or financial condition.

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims and potential litigation against our Group mainly arising from common workplace accidents for our Group's projects.

There were 53 outstanding claims as at the Latest Practicable Date and 42 claims settled for the accidents occurred during the Track Record Period and up to the Latest Practicable Date, further details of which are set out below. These 95 claims involved 92 accidents that occurred during the Track Record Period and up to the Latest Practicable

Date. Among the total of 92 accidents involved for the claims, 30 arose out of injuries suffered as a result of slipping on grounds, 6 arose out of falling from height, 23 arose out of improper manual handling, 17 arose out of careless use of hand tools and equipment and the remaining 16 arose out of other causes, details of which are set out below.

Outstanding employees' compensation and personal injuries claims against our Group as at the Latest Practicable Date

The table below summarises the 53 outstanding employees' compensation and personal injuries claims against our Group as at the Latest Practicable Date. All of the claims set out below are covered by insurance. As the claims are dealt with and handled by the insurers, our Group does not have access to information relating to the claim amounts involved under the claims. Our Group did not incur legal expenses associated with the employees' compensation and personal injuries claims as such legal expenses are covered by our Group's insurance policies or recovered from our sub-contractors. The insurance maintained by our Group covers all accidents involving sub-contractors' employees unless the accidents are related to breaches of health and safety rules and regulations. Under the sub-contracting arrangements between our Group and our sub-contractors, our sub-contractors shall indemnify us against all liabilities and claims against us. As such, our Directors are of the view that the personal injuries claims by third parties will be recovered from our sub-contractors if the relevant claims are not covered by insurance. As at the Latest Practicable Date, based on the information provided by the solicitors appointed by the insurers on 2 of the 53 outstanding claims, the solicitors estimated that the damages claimed by the plaintiff in 1 outstanding personal injuries claim would be in the range from approximately HK\$1.5 million to HK\$3.1 million plus interest and costs while the amount of compensation payable to the plaintiff in 1 outstanding employees' compensation claim would be approximately HK\$150,000. Save as the claims set out above, we are not in the position to assess the likely quantum of the other 51 claims.

Category of claims	Number of claims	Covered by insurance or recovered from sub-contractors
Employees' compensation claims for which the injured persons have filed form 2 (<i>Note</i>) but are still on sick leave for their injuries or their cases are under investigation	39	All the claims are covered by insurance
Employees' compensation claims for which the injured persons have commenced legal proceedings against our Group and the sub-contractors, and our Group was joined as a defendant in the capacity as a main contractor	8	All the claims are covered by insurance

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Category of claims	Number of claims	Covered by insurance or recovered from sub-contractors
Personal injuries claims by third parties	6	All the claims are covered by insurance or recovered from sub-contractors

Note: According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any accident by submitting a form 2.

As such injured persons have not yet filed claims with particulars and the claims, when filed, will be handled by solicitors appointed by the insurers, we are not in the position to assess the likely quantum of such potential claims.

Among the 53 claims as set out in the table above:

- (a) 4 claims arose from accidents occurring during the year ended 31 March 2011, 8 from accidents occurring during the year ended 31 March 2012, 18 from accidents occurring during the year ended 31 March 2013, 13 from accidents occurring during the four months ended 31 July 2013 and 10 from accidents occurring subsequent to 31 July 2013 and up to the Latest Practicable Date.
- (b) 13 claims were related to injuries suffered as a result of slipping on grounds, 5 related to falling from height, 13 related to improper manual handling, 10 related to careless use of hand tools and equipment and the remaining 12 related to other causes.
- (c) there were 45 claims against our Group and the relevant sub-contractors for which our Group was joined as a defendant in the capacity as a main contractor and the remaining 8 claims were against our Group only.
- (d) 2 claims were in relation to our Group's employees, 45 in relation to employees of our sub-contractors (including 1 in relation to an employee of Able Contractors), and the remaining 6 were in relation to third parties.

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Employees' compensation and personal injuries claims against our Group fully settled by our Group (whether by way of court judgment or out of court settlement) for the accidents occurred during the Track Record Period and up to the Latest Practicable Date

The table below summarises the 42 settled employees' compensation and personal injuries claims against our Group for the accidents occurred during the Track Record Period and up to the Latest Practicable Date, all of which were fully covered by insurance.

Category of claims	Number of claims	Total amount settled (approximately HK\$ million)
Employees' compensation claims settled by way of court judgment	9	2.6
Employees' compensation claims settled by out of court settlement	29	3.2
Personal injuries claims settled by way of court judgment	4	1.0

Potential personal injuries claims and material claims against our Group as at the Latest Practicable Date

In the table under the paragraph headed "Outstanding employees' compensation and personal injuries claims against our Group as at the Latest Practicable Date" of this section, there were 39 outstanding employees' compensation claims for which all the relevant 39 injured persons have filed their employees' compensation claims but are still on sick leave or their cases are under investigation. As such, such 39 claims have the possibility of turning into personal injuries claims, but the relevant potential personal injuries claims under common law against our Group have not commenced as at Latest Practicable Date. Among these potential personal injuries claims, 2 are in relation to our Group's employees and the remaining 37 potential personal injuries claims are in relation to employees of our sub-contractors, including 1 in relation to an employee of Able Contractors. All injured persons have suffered insignificant bodily injuries and to the best and latest knowledge of our Directors, all the claims have no material financial and operational impact on our Group. Since no civil action has commenced, and such injured persons have not yet filed claims with particulars and the claims, when filed, will be handled by solicitors appointed by the insurers, we are not in a position to assess the likely quantum of such potential claims. In any event, our Group has insurance cover for its liabilities of all these accidents and as at the Latest Practicable Date, notices of the accidents have been given to the insurers. For the 39 potential personal injuries claims which the injured persons were deemed employees of our Group, either directly employed by our Group or by our Group's sub-contractors, it is expected they would be fully covered by the mandatory insurance held by our Group.

Our Directors are of the view that the major outstanding claims generally arose as a result of accidents due to insufficient safety and health awareness amongst the employees. To improve the safety standard and reduce the re-occurrence of workplace accidents for our Group's projects, our Group has taken the following improvement measures against certain common workplace accidents:-

(1) Slipping on grounds

We have improved site tidiness, installed proper warning signs and enhanced training and supervision to increase safety awareness of the employees. All employees are provided with safety shoes.

(2) Falling from height

We have enhanced fencing of the working area, provided proper access and egress, installed railing and ensured the use of personal equipment such as harness.

(3) Improper manual handling

We have enhanced training on manual handling procedures to ensure proper use of personal protective equipment.

(4) Careless use of hand tools and equipment

We have provided pre-work training and briefing to all workers to enhance their safety awareness and prevent re-occurrence of accidents. All employees are provided with safety equipment such as safety gloves.

We take workplace safety seriously and are committed to providing a safe and healthy working environment. Please refer to the section headed "Labour, Health and Safety Matters" in this prospectus for the safety measures implemented by our Group.

Renewal of licences of our Group

Our Group holds the general building contractors licence, specialist contractors licences, the electrical contractor licence and other qualifications approved by the Hong Kong Housing Authority and WBDB. Most of these licences and qualifications have been obtained by our Group for more than 12 years.

As our Group has been granted the renewal of the general building contractors licence and specialist contractors licences issued by the Buildings Department and the electrical contractor licence issued by the Electrical and Mechanical Services Department in 2011 and 2012, our Directors are of the view that the validity of such licences would not be affected by the accidents and related litigations and claims against our Group mentioned in this prospectus as no fatal accidents had ever occurred.

Our Group has never been refused to renew its general building contractors, specialist contractors and electrical contractor licences.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had certain trademarks registered in Hong Kong. Particulars of such registered trademarks are set out in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.