

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Share Offer and the Capitalisation Issue and assuming the Offer Size Adjustment Option is not exercised, Vantage will, through its wholly-owned subsidiary, Profit Chain, own 75% of our enlarged issued share capital. Mr. Ngai is beneficially interested in approximately 61.83% equity of the issued capital of Vantage. Vantage and Mr. Ngai will continue to be our Controlling Shareholders. As of the Latest Practicable Date, apart from the shareholding interests in our Group and otherwise disclosed in this prospectus, Vantage does not own any shareholding interests in any other company which carries on a business that competes with the civil engineering construction business of our Group.

DELINEATION OF BUSINESS ACTIVITIES

Our Group is 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. 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 and our building construction services are applied to carcass works for private residential development in Hong Kong. To a lesser extent, we also engage in building repairs and maintenance works.

The Retained Vantage Group is principally engaged in property investment and development and a wide range of public and private sectors building construction and maintenance works in Hong Kong (“**Building Construction Business**”) including construction of Government, institutional buildings and public housing.

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 engaging in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014.

Although both our Group and the Retained Vantage Group are engaged in a wide range of public and private sectors construction works in Hong Kong, different approved contractor categories apply to the building construction and maintenance business and the civil engineering construction business for public works in Hong Kong. Such categorisation on approved contractor works has effectively formed clear distinction and delineation between the two lines of construction businesses engaged by our Group and the Retained Vantage Group.

Our Group and the Retained Vantage Group comprise of entities that are Approved Contractors (as defined below). According to Section 2 of the Contractor Management Handbook (Revision B), “Rules for Administration of the List of Approved Contractors for Public Works” (“**Rules for Administration of Approved Contractors**”), issued by the Development Bureau and updated on 30 April 2012. Contractors who are approved for public works (“**Approved Contractors**”) are categorised in five works categories (“**Works**

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Category(ies)”); (1) building, (2) port works, (3) roads and drainage, (4) site formation, and (5) waterworks. Approved contractor within each category are further divided into three groups (“**Group(s)**”) — Group A, B or C — according to the value of contracts for which they are normally eligible to tender. The suitability of admitting a contractor into one or more Works Category(ies) and in a particular group is assessed on the basis of both the contractor’s global business activity and its activity in Hong Kong following its application for admission. The relevant governmental department responsible for servicing and monitoring the performance of the contractors within Works Category will investigate whether an applicant for a licence has appropriate technical and management capability in respect of the relevant Works Category and group.

Currently, our Group holds the following, among others, licences from the Development Bureau:

- (a) a probationary Group B licence and a confirmed Group C licence in waterworks which allows our Group to tender for waterworks contracts of the public sector of value up to HK\$75 million and any value exceeding HK\$75 million respectively;
- (b) a probationary Group C licence in roads and drainage which allows our Group to tender for roads and drainage contracts of the public sector of any value exceeding HK\$75 million provided that the total number of the Group C contracts that our Group already holds and the Group C contracts being procured under the same category does not exceed two and that the total value of works in the Group C contracts that our Group already holds and the Group C contracts being procured under the same category does not exceed HK\$220 million; and
- (c) a licence in landslip preventive and remedial works to slopes and retaining walls.

Currently, the Retained Vantage Group holds a confirmed Group C licence in buildings from the Development Bureau which allows it to tender for buildings contracts of the public sector of any value exceeding HK\$75 million. The Retained Vantage Group does not hold any licence of any group in the categories of road and drainage works or waterworks and the lack of the aforementioned licence in the Retained Vantage Group, after the Spin-off, effectively precludes the Retained Vantage Group from tendering for any road and drainage works or waterworks contracts in the public sector.

Although our Group has obtained some industry licences or recognition applicable to Building Construction Business for both public and private works and is holding the licence approved by Hong Kong Housing Authority under the category of probationary “M2 Building (Maintenance)” (“**M2 Licence**”), the Retained Vantage Group and our Group have been operated as separate profits centres concentrating on works for different market segments. Our Group has undertaken that after the Spin-off, we will not use the M2 Licence to tender for or to carry out any Building Construction Business. As such, the overlapping licence due to historical reasons shall not in any way affect the delineation of the business of the Retained Vantage Group and our Group.

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Further, after the Spin-off, there will be mechanisms in place to ensure a clear delineation between the retained business of the Retained Vantage Group and the business of our Group by way of Vantage entering into a Deed of Non-competition with our Company.

After the Spin-off, our Group will have independent senior management team to carry out the business decisions and independent financial and accounting systems and will establish its own organisational structure made up of individual departments, each with specific areas of responsibilities.

SUB-CONTRACTING BETWEEN OUR GROUP AND RETAINED VANTAGE GROUP

There were three projects sub-contracted to Able Contractors, namely the TKO Project, MOS Project and TW7 Project, for which we recorded revenue during the Track Record Period. Taking into account the then circumstances mentioned below and the fact that EXCEL is a member company of the Vantage Group, our Directors consider that such three sub-contracting agreements were entered into on normal commercial terms.

TKO Project (completed before the commencement of the Track Record Period)

TKO Project involved the construction of a road for the proposed residential development in Tseung Kwan O, New Territories. TKO Project required the General Building Works licence and Site Formation Works licence registered under the Buildings Department.

This project was undertaken by EXCEL, as the project was in the nature of civil engineering works and was separately tendered. Given that the project involved a road which was part of a bigger residential building project of the Vantage Group, for efficiency and cost saving, the Vantage Group assigned Able Contractors to work on the whole project. As such, EXCEL sub-contracted this project to Able Contractors.

The contract sum of TKO Project was approximately HK\$37 million. This project commenced on 9 August 2006 and was completed on 8 April 2009. The sub-contracting fee paid by EXCEL to Able Contractors was 97% of the total contract sum. The sub-contracting fee was determined and agreed between EXCEL and Able Contractors after arm's length negotiation, taking into account, among other things, the market conditions, the level of competition and the absolute value of the sub-contracting fee, in order to set a competitive and profit maximising tendering price for TKO Project.

MOS Project (completed during the Track Record Period)

MOS Project involved carcass works for the proposed residential development in Ma On Shan, New Territories. MOS Project required the General Building Works licence registered under the Buildings Department.

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This project was undertaken by EXCEL with the intention of diversifying risks and establishing track records on different nature of construction projects among member companies of the Vantage Group for the Vantage Group as a whole. When EXCEL tendered for MOS Project, it was then decided within the Vantage Group for EXCEL to sub-contract the project to Able Contractors as the project was in the nature of building construction for which Able Contractors possesses the expertise and technical experience.

The contract sum of MOS Project was approximately HK\$545.0 million. The project commenced on 17 August 2009 and was completed on 19 March 2011. Due to adverse market condition and high level of competition after the financial crisis in 2008, the project was tendered with a price determined based on the estimated total cost of the project with zero profit margin. The project was sub-contracted to Able Contractors with a sub-contracting fee which is equal to the total contract sum.

TW7 Project (expected to be completed in mid-2014)

For details of TW7 Project, please refer to the section headed “Connected Transactions — Non-exempt continuing connected transaction” in this prospectus.

NON-COMPETITION UNDERTAKING FROM RETAINED VANTAGE GROUP

In order to eliminate any future competing business with our Group, on 21 November 2013, Vantage entered into a Deed of Non-competition with our Company pursuant to which Vantage irrevocably undertakes and covenants with our Company that the Retained Vantage Group will not:

- (a) solicit, interfere with or endeavour to entice away from our Group any person, firm, company or organisation who to its knowledge is from time to time or has at any time within the immediate past two years before the date of this prospectus been a customer, supplier or employee of our Group;
- (b) be engaged, interested or otherwise involved, directly or indirectly, in civil engineering construction business (including but not limited to waterworks, roads and drainage works, landslip preventative and remedial works to slopes and retaining walls, and utilities civil engineering works) and any business in any form or manner that is or is likely to be in competition with that of any member of our Group or our Group as a whole from time to time (excluding, for the avoidance of doubt, the business of building construction, building maintenance, property investment and property development, which Vantage and its subsidiaries (excluding our Group) currently and from time to time engage in);
- (c) at any time employ any person who has been a director, manager, employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to civil engineering construction business (including but not limited to waterworks, roads and drainage works, landslip preventative and remedial works to slopes and retaining walls, and utilities civil engineering works) and any business in any form or manner that is or is likely to be in competition with that of any member of our Group or our Group

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as a whole from time to time (excluding, for the avoidance of doubt, the business of building construction, building maintenance, property investment and property development, which Vantage and its subsidiaries (excluding our Group) currently and from time to time engage in); and

- (d) directly or indirectly solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to civil engineering construction business (including but not limited to waterworks, roads and drainage works, landslip preventative and remedial works to slopes and retaining walls, and utilities civil engineering works) and any business in any form or manner that is or is likely to be in competition with that of any member of our Group or our Group as a whole from time to time (excluding, for the avoidance of doubt, the business of building construction, building maintenance, property investment and property development, which Vantage and its subsidiaries (excluding our Group) currently and from time to time engage in) or cease to deal with our Group or reduce the amount of business which the person would normally do with our Group.

Notwithstanding the undertakings under (a) to (d) above, nothing shall prevent Vantage after the Listing Date from acquiring or holding interests in equity securities issued by any company engaged in civil engineering construction business or related businesses provided that each of them (individually or together) will not directly or indirectly own more than 5% of the total issued share capital of such company or control the exercise of more than 5% of the voting rights thereof or control the composition of the board of directors of such company.

REASONS FOR AND BENEFITS FROM THE SPIN-OFF OF OUR COMPANY AND RETAINED VANTAGE GROUP

Our Company considers that the reasons and benefits of the Spin-off include the following:

- (i) the Spin-off will provide a separate fund raising platform to fund the growth and expansion of the civil engineering construction business of our Group;
- (ii) the Spin-off will allow our Group and Retained Vantage Group to adopt different business strategies in order to better suit their respective businesses and enhance their ability to focus on opportunities specific to the respective businesses of the relevant groups;
- (iii) the Spin-off will allow our Group to finance its expansion based on its own growth plans and projects;
- (iv) our Group and Retained Vantage Group will be protected from each other's risks; and
- (v) the proceeds expected to be received by our Group from the separate listing will enhance our business development potentials.

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INDEPENDENCE FROM RETAINED VANTAGE GROUP

We believe we are able to operate independently of Vantage as explained in more details below.

MANAGEMENT INDEPENDENCE

Our Board consists of 6 members, comprising 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. Our two executive Directors namely, Mr. Li Chi Pong and Mr. Poon Yan Min, have been running the day-to-day operations of our Group with the senior management during all of the Track Record Period. They will be expected to devote their resources and time in our Group upon Listing and will continue to oversee and manage the day-to-day operations of our Group. Our non-executive Director who is also the chief executive officer, executive director and deputy chairman of the board of directors of Vantage will not have any operation management function in our Group, but as we are a subsidiary of Vantage, it is expected that Vantage will have a board presence at our board level through the non-executive Director.

10 members of our senior management, namely, 8, have been with us during the Track Record Period. Together with our two executive Directors, namely, Mr. Li Chi Pong and Mr. Poon Yan Min, they constitute the core management team of our Group responsible for forming our important decisions during the Track Record Period. It is expected that after Listing, we will continue to be centrally managed by such core management. Our non-executive Director is not responsible for the day-to-day operations and execution of business decisions of our Group and he is involved in high level strategic planning decision making processes.

Even though our non-executive Director, Mr. Yau Kwok Fai is also the chief executive officer, executive director and deputy chairman of the board of directors of Vantage and therefore may potentially be perceived as having a conflict of interest in certain circumstances involving our Company and Vantage, he is mindful of his fiduciary duties as Director to act in the best interest of our Company. In cases where there are conflicts of interest, the non-executive Director will abstain from voting on the relevant resolutions in board meetings of our Company in accordance with the requirements of the Listing Rules and our Company's Articles.

Mr. Li Chi Pong, our executive Director and an executive director of Vantage would resign from the board of directors of Vantage before Listing. Save as disclosed above, there is no other overlapping director and senior management between our Group and the Retained Vantage Group. Apart from Mr. Yau Kwok Fai being the only common director, the senior management and employees are employed by our Group separately from the Retained Vantage Group. Our directors and senior management team will act independently from the Retained Vantage Group.

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After Listing, any Directors who have a material interest in a transaction will generally be required under the Listing Rules and our Company's Articles to abstain from voting in board meetings in relation to such transaction. These transactions may include potential connected transactions with the Retained Vantage Group. In these cases, the independent non-executive Directors will be asked to advise on the transaction. By having three independent non-executive Directors on the board, our Directors believe that they will be able to exercise their function as a board properly.

OPERATIONAL INDEPENDENCE

We make business decisions independently and hold all relevant licences necessary to carry on our business and have sufficient capital, equipment and employees to operate our business independently. In addition, our Directors consider that our operation does not depend on the operation of the Controlling Shareholders because we have our own operational structure made up of separate departments, each with specific areas of responsibilities. We have also established a set of internal control procedures to facilitate the effective operation of our business.

Upon Listing, there are expected continuing connected transactions between our Group and the Retained Vantage Group in relation to (a) TW7 Project; and (b) leasing of office premises. These transactions will be carried out (i) on market terms or (ii) on terms no more favorable to the Retained Vantage Group than those available to Independent Third Parties. For more details on such continuing connected transactions, please refer to the section headed "Connected Transactions" in this prospectus.

FINANCIAL INDEPENDENCE

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and make financial decision according to our own business needs. During the Track Record Period, Vantage has provided guarantees in respect of certain credit facilities provided by financial institutions to us. During the year ended 31 March 2013 and the four months ended 31 July 2013, Vantage has given a performance guarantee for an unlimited amount in favour of a customer for a civil engineering contract work (the "**Contract Customer**") of our Group in respect of losses, claims, damages, costs and expenses caused by non-compliance with the terms and conditions of the construction contract entered into between Vantage, our Group and the Contract Customer. The requirement of performance guarantees is a common practice in the construction industry to ensure that a contract is being executed in accordance with its contract terms. Except for the trade balance with Able Contractors which will only be settled upon the completion of TW7 Project, all other intercompany balances between our Group and the Retained Vantage Group are expected to be settled before Listing. All corporate guarantees including the performance guarantee mentioned above and pledges by Vantage for the benefit of our Group shall be released or replaced by guarantees by our Company and/or other security of our Group upon Listing. During the Track Record Period and as at the Latest Practicable Date, Mr. Ngai has not given any corporate guarantees for the benefit to our Group and we have not given any guarantee for the benefit of our Controlling Shareholders.

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On the basis of the information provided in this section, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their associates.

CORPORATE GOVERNANCE

Our Company has adopted the following measures to manage the conflicts of interest between our Group and Vantage and to safeguard the interests of the Shareholders:

- (a) the independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-compete undertakings by Vantage;
- (b) Vantage undertakes to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (c) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company.

Our Company will observe any transaction that is proposed between our Group and its connected persons, and will be required to comply with Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements of those rules.

POTENTIAL COMPETITION FROM LANON DEVELOPMENT LIMITED

Lanon Development Limited (“**Lanon**”) is a company incorporated in Hong Kong and is primarily engaged in construction, maintenance and engineering contract works. Lanon has an issued share capital of HK\$16,000,002 and holds Group C licences on buildings, port works, roads and drainage, site formation and waterworks categories under the List of Approved Contractors.

Mr. Ngai's wife and his son, Mr. Ngai Wing Yin, who is aged over 18, are directors of Lanon. Mr. Ngai Wing Yin is beneficially interested in 78% of the issued share capital of Lanon. To the best knowledge of our Directors, the remaining 22% of the issued share capital of Lanon is held by an Independent Third Party. None of our Controlling Shareholders, Directors and senior management members and their respective associates (excluding Mr. Ngai's wife) is involved in the day-to-day management and operation of Lanon or is in any position to exercise control or influence over the operational decisions of Lanon. Although the Company has made relevant enquiries, it received feedback that Mr. Ngai's wife and Mr. Ngai Wing Yin have confidentiality obligations not to disclose the financial information of Lanon to external parties so that the Company has gained no access to the financial information of Lanon. Further, the Company is not able to find any published financial information of Lanon from the public domain. Except for Mr. Ngai's wife being a director of Lanon and Mr. Ngai Wing Yin being a shareholder and director of Lanon, Lanon has no business or other relationship with our Group or any of our

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Controlling Shareholders and Directors. To the best knowledge of the Directors, there is no overlapping management, sharing of assets and/or resources and no past or present transactions between Lanon and the Group. In addition, the Spin-off is to seek a separate listing for the existing civil engineering business of the Vantage Group without any proposed acquisition plan, and Lanon has never been part of the Vantage Group. As such, in relation to the Spin-off, our Directors consider that the injection of the business of Lanon into our Group is not feasible and appropriate.

Based on the information available in the Government Gazette, Lanon has not been awarded with any contracts from WSD since 2000. From the website of Drainage Services Department of the Government (“DSD”), Lanon was also only once awarded a DSD project in 2008 in the nature of sewage works with contract sum of HK\$138 million and such project has been completed. Accordingly, Lanon is currently not involved in any public roads and drainage and waterworks projects which our Group focuses on and is eligible to tender. Therefore, based on the aforesaid information in the Government Gazette and website of DSD, Lanon is not one of the competitors set out in the paragraph headed “Ranking of waterworks civil engineering constructors in Hong Kong” in the section headed “Business” in this prospectus. According to the searches conducted against relevant Government departments’ websites on Lanon, we have not found any records of Lanon being awarded any projects from the Government in the public sector for civil engineering works during the Track Record Period. Further, based on our enquiries with Mr. Ngai, it is the understanding of our Directors that Lanon has not been awarded any contracts in the nature of civil engineering works in both the public and private sectors since Mr. Ngai Wing Yin became a beneficial owner of 78% shareholding interests in Lanon in January 2010, and the principal business of Lanon has not been civil engineering works since then.

Due to the independency of Lanon, the competition exerted by Lanon on our Group is no different from the competition that our Group may experience from other Independent Third Party competitors. Although Lanon can also undertake civil engineering works and can potentially be our competitor by submitting tender proposals for the same projects our Group is interested to undertake, there are only two out of five categories (namely roads and drainage and waterworks) under the List of Approved Contractors on which both Lanon and our Group currently also hold licences.

Our Group has implemented corporate governance procedures with respect to keeping information in confidence. There is a set of confidential information policy and guidelines imposed by our Company. All employees and all our Directors are informed of their duty and are required to protect our Group’s confidential information and not to disclose any confidential information to anyone outside our Group.

Furthermore, every Director and employee of our Group is subject to our Company’s employment regulations (the “**Employment Regulations**”). All employees are well informed of the Employment Regulations during induction training when they are first employed by our Company. The Employment Regulations set out, among others, general rules prohibiting employees to disclose or copy any information of our Group (for example, information of a particular tender) to outsiders, or those not in the employment of our Group, or someone being employed by our Group but not dealing with the subject matter

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directly. Our Group's employees are also not allowed to use any information of our Group directly or indirectly during their employment or after resignation for purposes not related to the business of our Group, or use the information in such a way that will damage or reduce the profitability, competitiveness or smooth operation of our Group or in any way that will be detrimental to our Group as a whole. The Employment Regulations further restrict employees from divulging to any person or organization the information of our Group coming to his knowledge from and during the course of his employment.

As part of our internal corporate governance, all our Directors and employees will not disclose any confidential information or trade secrets to any third party, unless such disclosure is made to professional advisers on a confidential basis or is otherwise required by the Government or any regulatory authorities under any applicable laws and regulations. If any confidential information or trade secret is disclosed to a third party, it shall require that party to maintain a duty of confidentiality and not to use such confidential information or trade secret for any purpose other than the purpose for which we disclose such information to that party.

As an additional corporate governance measure in relation to Lanon, it is the policy of our Group not to disclose any information about tender price of projects and which tender to submit to Vantage or Mr. Ngai or any common directors of Vantage and our Company during any time prior to the submission of any tenders, unless such disclosure is for the purpose of Vantage's compliance under the Listing Rules (for instance, requirements as to notifiable transactions) or other applicable laws and regulations or being disclosed to the public. Currently, only Mr. Yau Kwok Fai is a common director of Vantage and our Company.

Vantage has also undertaken to our Group that if it is in possession of any confidential information or trade secrets or other information which is or may become related to, or may have impact on, the business of our Group, including but not limited to information about tender of projects, it will not disclose such confidential information or trade secrets to any third party, including but not limited to Lanon and the shareholders and directors of Lanon, unless such disclosure is made to professional advisers on a confidential basis or is otherwise required by the Government or any regulatory authorities under any applicable laws and regulations or pursuant to any court order. Before making any disclosure, Vantage shall inform and consult our Group as to the form and substance of such disclosure. Our Company's independent non-executive Directors will monitor and review annually the compliance and enforcement of such undertaking by Vantage with its further undertaking that it shall provide full assistance for the annual review.

In addition, our Group is bound by the anti-collusion clause in the general conditions of tender of Government projects, which specifies that the tenderer shall not communicate to any person other than the Government the amount of the tender price or any part thereof until the tenderer is notified by the Government of the outcome of the tender exercise. Under such clause, the tenderer shall also not fix the amount of the tender price or any part thereof by arrangement with other person, make any arrangement with any person about whether or not he or that other person will or will not submit a tender or otherwise collude with any person in any manner whatsoever in the tendering process. Any breach of or non-

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compliance with the anti-collusion clause by the tenderer shall, without affecting the tenderer's liability for such breach or non-compliance, invalidate his tender. Our Group needs to submit with its tender a duly signed and witnessed letter to the Government representing and warranting that it has not communicated and will not communicate to any person other than the Government the information mentioned in the above paragraph. In the relevant tenders, our Group also has to undertake to indemnify and keep indemnified the Government against all losses, damages, costs or expenses arising out of or in relation to any breach of or non-compliance with the anti-collusion clause.

In view of the above, our Directors are of the view that there are effective guidelines and measures in place to ensure that our Group and our Directors and employees will protect confidential information of our Group, including but not limited to information relating to bidding of projects, so that there will not be any unauthorized sharing of information between our Group and any parties outside our Group, including but not limited to Lanon.

On the basis of the current status of Lanon and the corporate governance measures in place for our Group, our Sponsor is of the view that the potential competition from Lanon shall not be prejudicial to the interest of our Group.