
RISK FACTORS

Potential investors should consider carefully all the information set out in this [REDACTED] and, in particular, should consider and evaluate the following risks and uncertainties associated with an investment in the Company before making any investment decision in the Shares. The Group’s business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO THE GROUP’S BUSINESS

The Group’s top five customers accounted for over 75.0% of the Group’s total revenue, failure to retain business relationship with them or secure new business may affect the Group’s operations and financial performance

The Group’s top five customers accounted for approximately 81.0% and 75.7% of the total revenue for the two years ended 31 March 2014 and 2015, respectively. In particular, approximately 30.4% and 49.9% of the Group’s total revenue were attributable to its respective largest customer for the two years ended 31 March 2014 and 2015, respectively. The Group’s top five customers are not obligated in any way to continue to provide the Group with new businesses in the future at a level similar to that in the past or at all, and the volume and/or value of business provided by the Group’s top five customers may reduce if their business performance gets worse. If any of these top customers were to substantially reduce the volume and/or the value of new business to the Group or to terminate the business relationship with the Group entirely, there can be no assurance that the Group would be able to secure new business from other customers for replacement. In addition, there can be no assurance that new business secured from other customers for replacement, if any, would be on commercially comparable terms. As such, the Group’s operations and financial performance may be adversely affected.

Changes to the supply and cost of building materials may adversely affect the Group’s operations and profitability

The Group’s costs of material and processing charges accounted for approximately 41.2% and 45.7% of the Group’s total direct costs for each of the years ended 31 March 2014 and 2015, respectively.

The supply and cost of building materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rate may also affect the Group’s cost of building materials since some of the Group’s suppliers are located outside Hong Kong and the PRC. In the event that the cost of building materials increase due to the external factors aforementioned, which are out of the Group’s control, the Group’s operations and profitability may be adversely affected.

The materials that the Group principally uses in its design and build projects, particularly aluminium, is subject to price fluctuations. During the Track Record Period, the costs of aluminium represented approximately 54.7% and 42.7% of the Group’s total material and processing charges, respectively. The Group tenders for projects based on its estimate of the price of aluminum at the time it purchases the aluminum. There is a time lag between the time the Group submits the tender and the time it purchases aluminum for the purpose of the relevant project, if the tender is successful.

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During the Track Record Period, all of the Group’s construction contracts are subject to the risks arising from material costs fluctuations as there is a time lag between the time the Group submits the tender and the time it purchases aluminium. Even the aluminium price in the variation orders has to follow the unit aluminium price agreed in the master construction contracts previously entered. Failure to accurately estimate the materials costs for the projects at the time a project is awarded to the Group and any substantial increase in the price of aluminium between the time of submission of the tender and the time the Group purchases the aluminium will therefore substantially increase the Group’s material costs and could materially and adversely affect the Group’s cash flow, financial condition and results of operations.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group’s material and processing charges on the Group’s profits during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20% which are considered reasonable for the purpose of this sensitivity analysis:

Hypothetical fluctuations in material and processing charges	-10%	-20%	+10%	+20%
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,275	14,550	(7,275)	(14,550)
Year ended 31 March 2015	7,249	14,498	(7,249)	(14,498)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,075	12,150	(6,075)	(12,150)
Year ended 31 March 2015	6,053	12,106	(6,053)	(12,106)

Unsatisfactory performance or unavailability of subcontractors may adversely affect the Group’s operations and profitability

The Group does not retain any direct labour for installation works of its business segment in relation to structural engineering works. Therefore, the Group subcontracts the installation works to other subcontractors. For the two years ended 31 March 2014 and 2015, subcontracting charges incurred by the Group amounted to approximately 45.1% and 34.4% of the Group’s total direct costs, respectively. The Group carefully evaluates subcontractors by taking into account, among other things, their background, quality of services, timelines of delivery and reputation. However, there is no assurance that the work quality of the subcontractors can always meet the Group’s requirements. The Group may not be able to monitor the performance of the subcontractors as directly and efficiently as with its own staff. Outsourcing exposes the Group to the risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, the Group may experience deterioration in the quality or delayed delivery of works, incur additional costs due to the delays, or be subject to liability under the relevant contract with its customers for the subcontractor’s unsatisfactory performance. Such events could impact upon the Group’s operations, profitability, financial performance and reputation.

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The following sensitivity analysis illustrates the impact of hypothetical fluctuations in the Group’s subcontracting charges on the Group’s profits during the Track Record Period. The hypothetical fluctuation rates are set at 10% and 20%, which correspond to the approximate minimum and maximum year-on-year fluctuations in average daily wage of construction workers from 2009 to 2014 as shown in the IPSOS Report (see the section headed “Industry overview”).

Hypothetical fluctuations in subcontracting charges	-10%	-20%	+10%	+20%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Increase/(Decrease) in profit before tax				
Year ended 31 March 2014	7,947	15,895	(7,947)	(15,895)
Year ended 31 March 2015	5,463	10,927	(5,463)	(10,927)
Increase/(Decrease) in profit after tax				
Year ended 31 March 2014	6,636	13,272	(6,636)	(13,272)
Year ended 31 March 2015	4,562	9,124	(4,562)	(9,124)

In addition, there is no assurance that the Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, the Group’s operations and financial position may be adversely affected.

The Group is required to maintain sufficient level of working capital to sustain its business operations, failure to do so may materially and adversely affect the Group’s business operations and financial performance

The Group is required to maintain sufficient level of working capital on a continuous basis to fund its business operations, including the purchase of raw materials and subcontracting charges for its design and build projects, and fulfil the requirements of being retained as an approved contractor on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works, which is administered by the Works Branch of the Development Bureau, under the structural steelwork category. For the two years ended 31 March 2014 and 2015, the Group recorded positive net cash flows from operating activities of approximately HK\$17.2 million and negative net cash flows from operating activities of approximately HK\$8.2 million, respectively. The negative net operating cash flows for the year ended 31 March 2015 was principally attributable to the increase in amounts due from customers of contract works, trade and other receivables, and deposits and prepayments. As at 31 March 2014 and 31 March 2015, the Group had net current assets of approximately HK\$49.2 million and HK\$56.4 million, respectively.

The Group’s operating cash flows may be adversely affected by a variety of factors, such as macroeconomic factors that may lead to delay in progress payment from its customers. In addition, the interim dividend of HK\$15.0 million to the then owners of the Company in September 2015 would have a material adverse effect on the Group’s cash flows for the year ending 31 March 2016. There is no guarantee that the Group’s business will be able to generate positive operating cash flows or that the Group will be able to finance its working capital in the future. In the event that the Group fails to maintain sufficient level of working capital, the Group’s business operations and financial performance may be materially and adversely affected.

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The Group may fail to obtain or renew the requisite licences, permits or qualifications, or otherwise fail to satisfy their requirements from time to time, which will affect the Group’s ability to obtain new projects and its financial position and prospects

As at the Latest Practicable Date, the Group had a variety of licences and permits for various types of works, and are on various lists of approved contractors to perform public works, including those detailed in the section headed “Business — Licences and permits” to this [REDACTED]. Some of these major licences, permits or qualifications have an expiry date, the earliest expiry date is for KPa Engineering’s qualification as a Registered Minor Works Contractors (Classes II and III), which will expire on 18 June 2016. There is no assurance that the Group can renew the aforesaid in a timely manner.

In addition, some licences, permits and qualifications are subject to continued compliance with various standards relating to, among others, financial capability, expertise, management and safety and there is no assurance that the Group will continue to meet such standards from time to time. There are circumstances which may affect the ability of the Group to maintain such licences and permits or otherwise lead to a suspension, downgrading or demotion of the qualifications. For example, if a fatal construction accident occurs at a construction site that the Group is responsible for, it may lead to the relevant authority re-evaluating the qualifications of the Group. If the Group is unable to renew or otherwise maintain its licences, permits or qualifications, the Group may not be able to obtain certain new projects, and thereby its financial position and prospects would be materially and adversely affected.

The Group’s revenue is derived substantially from non-recurrent projects and the amount of revenue the Group is able to derive therefrom depends on the volume of business secured, which may vary from period to period

The Group’s revenue is derived substantially from projects which are non-recurrent in nature. There is no guarantee that the Group will be able to secure new businesses from existing customers since the Group is engaged by its customers on a project-by-project basis. The amount of revenue the Group is able to derive may vary significantly from period to period, depending on the number of projects that the Group can secure. Accordingly, it is difficult to forecast the volume of future business. If the Group cannot secure business from the existing customers or develop business relationship with any new customers, the Group’s business, financial condition and results of operations could be adversely affected.

The Group may achieve lower-than-expected profits on the projects and even incur losses if it fails to accurately estimate and control the project costs

During the Track Record Period, the Group’s structural engineering works business accounted for approximately 97.2% and 93.2% of the Group’s total revenue, respectively. The Group is usually engaged by its customers in design and build projects on a project-by-project basis. The Group’s construction contracts can be divided into two types, namely remeasurement contracts and lump sum fixed price contracts. Remeasurement contracts contain, among other things, bills of quantities and schedule of rates that are based on the agreed unit rates and the estimated quantities of each item to be consumed in the project. The Group will be paid based on its actual quantities of works done in the

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project, which normally will be measured by its customer upon completion of the project. For lump sum fixed price contracts, the Group will be paid based on a fixed contract sum agreed in the contract and no remeasurement will be conducted except for works done pursuant to variation order issued by customers.

The price of each construction contract is determined with reference to the Group’s bids and substantially agreed to at the time a project is awarded. In order to determine the bids, the Group needs to estimate the time and costs involved in a project. However, the Group may fail to accurately estimate completion costs. The actual amount of total costs incurred in completing a project may be adversely affected by many factors, such as adverse weather conditions, accidents, unforeseen site conditions and fluctuations in the price of raw materials. If the costs for a project exceed the contracted price in the relevant contract, the Group may achieve lower-than-expected profits or even incur losses, which could materially and adversely affect the Group’s financial performance and results of operations.

Among the design and build projects completed by the Group during the Track Record Period, the Group recorded three material loss-making projects which accounted for a loss of approximately HK\$4.8 million, HK\$0.5 million and HK\$0.6 million, respectively. For further details of these loss-making projects, please refer to the section headed “Business — Customers — Pricing strategies — Construction contracts for design and build projects” to this [REDACTED].

The Group may incur penalties and additional costs caused by project delays. This also causes delays in receiving payments and adversely impacts the Group’s business and reputation

The Group is typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contracts. If the Group fails to timely complete a project in breach of the contractual obligations, it may be liable to compensate the customer for losses or damages caused by the delay. These delays can be caused by various factors beyond control of the Group, including weather conditions, availability of sufficient labour force, regulatory approval processes, government requirements, and other factors. Any delay in the completion of a project, whether or not caused by the Group, could also lead to additional costs being incurred, including costs to hire additional manpower. Also, since the Group is often involved in the later stage of a construction project, any delay in the preceding stages would postpone the task that the Group is involved, causing a waste of manpower and/or other resources that the Group has prepared. As the Group typically receives payment in stages based on project progress, any delay in the course of a project may postpone the receipt of anticipated payments which could have a material adverse effect on the Group’s cashflow position. Moreover, any failure on the Group’s part to timely complete a project could harm the Group’s reputation in the industry and hinder the ability to win future contracts. As a result, the Group’s reputation, business and financial condition could be adversely affected.

The Group’s liquidity and financial position may be adversely affected if its customers default in, or delay, their payment obligations

The Group issues payment applications or invoices to its customers for works completed and grants its customers a credit term of 30 to 60 days from the date of issuance of payment applications or invoices. As a result, the Group may encounter difficulties in collecting payments from those customers who are having financial difficulties or delayed projects. For instance, some of the Group’s customers are main contractors who may be subject to the credit risks of their customers and to the financial risks of their development projects not being able to proceed according to budget, or being delayed or terminated. The collection process is often time-consuming and administratively cumbersome. The

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Group cannot assure that its customers in the future will not subsequently default in, or delay, their payment obligations. In the event the Group’s customers default in all or a substantial portion of their payment obligations to the Group, the Group’s financial performance may be materially and adversely affected.

The Group’s business performance depends on the availability of design and build projects, involving structural engineering works, in Hong Kong

The performance of the Group’s business is generally affected by the number and availability of design and build projects, involving structural engineering works, in Hong Kong. The performance of the construction industry is cyclical and could be significantly affected by various factors, including but not limited to the fluctuations in economic conditions, the general conditions of property markets in Hong Kong, and other factors. For instance, an economic downturn in Hong Kong, where the Group operates, could materially and adversely affect the Group’s business, financial performance and results of operations. There is no assurance that the number of design and build projects in Hong Kong will not decrease in the future.

Failure to acquire adequate capital could delay the execution of new projects and prevent the expansion of the Group’s business, which could materially and adversely affect the Group’s business, financial performance and results of operations

The Group expects that the execution of new projects and the continued development of its business in the future will require significant capital. There is no assurance that the required capital can be obtained through equity or debt financing on acceptable terms or sufficient cash flow can be generated from the Group’s operations to meet the cash requirements. Furthermore, the capital requirements may vary materially from those currently planned. Failure to obtain additional capital on acceptable terms may delay or prevent the expansion of the Group’s business or force it to forego project opportunities which could materially and adversely affect the Group’s business, financial performance and results of operations.

Changes to the supply and cost of staff may adversely affect the Group’s operations and profitability

During the Track Record Period, the Group’s direct labour costs accounted for approximately 7.6% and 9.8%, respectively. The supply and cost of staff in Hong Kong are affected by the availability of staff in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. In addition, an employee is entitled to be paid wages in respect of any wage period of not less than the minimum wage, which shall be derived by reference to the prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour). There is no assurance that the statutory minimum wage will not increase in the future, and that the supply of labour and average cost of staff will be stable. If the Group cannot identify and recruit staff members to replace departed staff members in a timely manner or the cost of staff increases in the future, the Group’s operations and profitability could be adversely affected.

Past dividend distributions are not an indication of the Company’s future dividend policy

No dividend has been paid or declared by the Company since its incorporation. The interim dividends for the years ended 31 March 2014 and 2015 amounted to HK\$4,050,000 and HK\$1,800,000 respectively represented interim dividends declared to the then owners of the Company. In addition, the

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Group declared an interim dividend of HK\$15.0 million to the then owners of the Company in September 2015, which will be fully paid prior to the [REDACTED]. All dividends declared had been or will be fully paid prior to the [REDACTED] and the Group financed or will finance the payment of these dividends by internal resources. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. Any future dividend declaration and distribution by the Group will be at the discretion of the Directors depending upon the Group’s financial results, the Shareholders’ interests, general business conditions, strategies and future expansion needs, the Group’s capital requirements, payment by its subsidiaries of cash dividends to the Company, possible effects on liquidity and financial position of the Group and such other factors as the Board may consider relevant. As a result, there is no reference to the basis for forecasting the amount of dividend payable in the future. The past dividend distribution record should not be used as a reference of the amount of dividend payable in the future.

Any claims or legal proceedings to which the Group may become a party may have a material and adverse impact on the Group’s business operations

The Group may be subject to claims for personal injury and property damage arising in connection with the Group’s projects. The Group may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with its customers or subcontractors, labour disputes, workers’ compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert management’s attention away from the operations of business. Any claims or legal proceedings to which the Group may become a party in the future may have a material and adverse impact on the Group’s business operations.

Adverse weather conditions and other construction risks may affect the work progress of the Group’s design and build projects

Most of the Group’s design and build projects are undertaken outdoor which can be affected by adverse weather conditions, such as rainstorms, tropical cyclones and continuous rain. These adverse weather conditions may cause difficulties to the Group in completing its projects on schedule. Any delay in completion of the design and build projects may render the Group subject to penalty and will adversely affect the operating results. The Group may also have to subsequently accelerate work progress in order to catch up to meet the scheduled time for completion, inevitably incurring additional costs. In addition, there are also other construction risks, such as fire and the suspension of water and electricity supplies, which the Group is subject to. They may not only affect work progress but also pose risks on properties kept at the construction sites.

The Group is exposed to environmental liabilities which may affect the Group’s operations

The Group’s operations are subject to a variety of environmental laws and regulations in Hong Kong, as well as standards imposed by environmental laws and regulations in respect of air pollution, noise control and waste disposal. Please refer to the section headed “Regulatory overview” to this [REDACTED] for a more detailed discussion of these laws, regulations and standards. Any failure, or claim that the Group has failed to comply with these environmental laws and regulations could cause delays in production and capacity expansion and affect the Group’s public image, either of which could seriously harm the Group’s business. In addition, failure to comply with these laws and regulations

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could subject the Group to substantial fines, clean-up costs and environmental liabilities, or even suspension of operations which could materially and adversely affect the operating results and prospects of the Group.

The Group’s financial performance is expected to be affected by the Group’s [REDACTED] expenses

The Group’s financial results for the year ending 31 March 2016 will be affected by non-recurring expenses in relation to the [REDACTED]. Whether or not the [REDACTED] eventually occurs, a major portion of the [REDACTED] expenses will have been incurred and recognised as expenses, which will reduce the Group’s net profit and therefore negatively affect the Group’s future financial performance. The estimated expenses in relation to the [REDACTED] are approximately HK\$[REDACTED] million. The Group expects to recognise approximately HK\$[REDACTED] million in the consolidated statement of comprehensive income and to deduct the remaining of approximately HK\$[REDACTED] million from the Group’s capital. In addition, if the [REDACTED] were to be postponed due to market conditions, additional [REDACTED] expenses would also be incurred for future [REDACTED] plan. This would further negatively affect the Group’s future net profit. As a result, the Group’s business, financial performance, operating results and prospect would be adversely affected.

The Group may fail to maintain its reputation and brand name and this can adversely affect the Group’s business, financial performance and results of operations

Reputation and brand name that the Group has built up over the years play a significant role in attracting customers and securing projects. The Group needs to provide quality and timely service to customers on an ongoing basis in order to maintain or promote its reputation and brand name. The brand name and reputation of the Group could be adversely affected if its customers no longer perceive products and services of the Group to be of a high quality or reliable or cost-effective. This will in turn negatively affect the Group’s business, financial performance and results of operations.

The Group may not be able to completely prevent or deter fraud or other misconduct which may be committed by the Group’s employees or third parties

The Group’s employees or third parties may commit fraud or other misconduct and such acts could subject the Group to financial losses and harm its business and operations. There is no assurance that they can be completely prevented or deterred even if extensive internal controls and corporate governance practices are in place. In addition to potential financial losses, improper acts of its employees or third parties could subject the Group to third party claims and regulatory investigations. Any such fraud or other misconduct committed against the Group, whether involving past acts or future acts, could have an adverse effect on the Group’s business, financial performance and results of operations.

Extraordinary events such as epidemics, natural disasters, political unrest and terrorist attacks could significantly delay, or even prevent the Group from completing, the Group’s projects

The Group’s operations are subject to uncertainties and contingencies, such as epidemics, natural disasters, fire, adverse weather conditions, political unrest, wars and terrorist attacks. These extraordinary events are beyond the Group’s control and could result in material disruptions in the operations and adversely affect the Group’s business. Any such events could cause the Group to reduce

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or halt the operation, adversely affect the Group’s business operation, increase the costs and/or prevent completion of the projects, any one of which could materially and adversely affect the Group’s business, financial condition and results of operations.

The Group’s relies on its management team and in-house designers, failure to retain these employees may affect the Group’s operations adversely

The Group relies on its in-house designers to handle the engineering design of its design and build projects. Although the Group subcontracts part of its labour intensive works to subcontractors, the Group relies on its project managers to supervise and control the quality of work performed by the subcontractors. In the event that the Group fails to retain its experience management team and design team, the Group may not be able to complete its projects on schedule and within budget nor maintain its quality of work at the standard level. Subsequently, the Group’s operations and profitability may be adversely affected.

Insurance policies may not be sufficient to cover all liabilities and insurance premium may increase from time to time

The Group has taken out insurance policies in line with industry practice to cover certain aspects of business operations. However, certain types of risks, such as liabilities arising from acts of God or other natural disasters and risks in relation to the collectability of trade receivables, are generally not insured because they are either uninsurable or it is not cost justifiable to insure against such risks. In the event that an uninsured liability arises, the Group may suffer losses which may adversely affect its financial position.

Even if the Group has taken out insurance policies, insurers may not fully compensate the Group for all potential losses, damages or liabilities relating to the business operations. The Group cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of the current policies.

The Group cannot guarantee that the insurance premiums will not rise or the Group may be required by law or customers to obtain additional insurance coverage. Any further increase in insurance costs or reduction in coverage may materially and adversely affect the business operations and financial results.

Failure to obtain sufficient financial resources required to undertake projects for the structural engineering works business may have material adverse impact to the operation and profitability of the Group

Because of the time lags between making payments to the subcontractors and receiving payments from the customers, the total number and size of projects that the Group can undertake in the structural engineering works business depends on the amount of available working capital that the Group has. The Group will risk its reputation for not being able to make payments on a timely manner if it chooses to pay the subcontractors only after receiving payments from the customers. This could affect its ability to engage capable and quality subcontractors for the structural engineering works business in the future. Also, some structural engineering works projects undertaken by the Group involve the provision of

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surety bonds, which require the use of a substantial amount of the Group’s cash resources. Failure to obtain sufficient financial resources required to undertake projects for the structural engineering works business in the future may have material adverse impact to the operation and profitability of the Group.

The Group is exposed to foreign exchange risks, any fluctuation in the exchange rates of Hong Kong dollars may affect the Group’s financial performance

During the Track Record Period, most of the Group’s sales are denominated in Hong Kong dollars while some of the Group’s purchases are denominated in foreign currencies, including RMB, USD, Euro and British Pound. Therefore, the Group is exposed to foreign exchange risks to the extent that the Group’s receipts from its customers in Hong Kong dollars do not match with the respective payment to its suppliers that are denominated in foreign currencies.

The Group does not maintain any hedging policy or engage in any hedging activity. Hence the fluctuation in the exchange rates between Hong Kong dollars and the currencies in which some of the Group’s purchases are denominated may adversely affect the financial performance and profitability of the Group.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The construction industry in Hong Kong has been facing the problem of rising construction costs, including the costs of construction workers and construction materials

The costs of construction materials have demonstrated a general increasing trend over the past few years. The general increases in construction material prices are affected by, among other factors, the strong construction demand. In addition, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. This is mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. As a result of the shortage of construction workers and the implementation of minimum wage, the average wage of construction workers in Hong Kong keeps increasing. In view of the potential increase in the cost of construction workers and construction materials, the Group’s business operations and financial conditions could be materially and adversely affected.

Personal injuries, property damages or fatal accidents may occur at work sites

Notwithstanding the occupational health and safety measures, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at work sites. In addition, there is no assurance that there will not be any violation of the Group’s safety measures or other related rules and regulations by workers. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect business operations as well as financial position to the extent not covered by insurance policies.

In addition, any personal injuries and/or fatal accidents to the employees of the Group and subcontractors may lead to claims or other legal proceedings against the Group. Any such claims or legal proceedings could adversely and materially affect financial position of the Group to the extent not

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covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, the Group need to divert management resources and incur extra costs to handle these matters. Any such claims or legal proceedings could therefore have a material and adverse impact on the Group’s business operations.

Any changes in environmental requirements may increase the Group’s compliance costs

Due to the nature of the Group’s business, the operations at work sites are subject to certain environmental requirements pursuant to the laws in Hong Kong, including primarily those in relation to air pollution control, noise control and waste disposal. Such regulations may be revised by the Government from time to time. Any changes to such regulations and guidelines may increase cost and burden in complying with them.

The Group relies on the availability of the construction projects in Hong Kong

The Group’s results of operations are affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in government policies relating to the Hong Kong property markets, the general conditions of the property markets in Hong Kong, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. A downturn in the construction industry may result in a significant decrease in the number of projects available in Hong Kong. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong may lead to a significant decline in the number of housing construction projects. There is no assurance that the number of construction projects will not decrease in the future. Therefore, business in general and the Group’s results of operations may be adversely and materially affected.

The Group operates in a competitive industry

The construction industry in Hong Kong has a number of participants and is competitive. Occasionally, new participants could enter the industry if they have the appropriate skills, local experience, necessary business network and capital and are granted the requisite licences by the relevant regulatory bodies. The Group faces competition from other contractors in the submission of tender for construction contracts. Increased competition may lead to lower profit margins and loss of market share, and adversely impact on the Group’s profitability and operating results.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the [REDACTED], there is no public market for the Shares. The [REDACTED] of, and the permission to deal in, the Shares on the Stock Exchange does not guarantee the development of an active public market or the sustainability thereof following completion of the [REDACTED]. There are factors that could cause the market price and trading volume of the Shares to change substantially, such as variations in the Group’s revenues, earnings and cash flows, strategic alliances or acquisitions made by the Company or the Group’s competitors, industrial or environmental accidents suffered by the Group, loss of key personnel, litigation or fluctuation in the market prices for the Group’s products or

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services, the liquidity of the market for the Shares, and the general market sentiment regarding the industry. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond the Group’s control and unrelated to the performance of the Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, you may not be able to sell the Shares at or above the [REDACTED].

Existing Shareholders’ shareholding may experience dilution if the Company issues additional Shares in the future

The Company may issue additional Shares upon exercise of the options that may be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue of new Shares would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

In addition, the Company may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that the Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the [REDACTED]. The Group cannot predict the effect, if any, of any future sales of the Shares by any of its Controlling Shareholders, or that the availability of the Shares for sale by any of the Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of its Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

RISKS RELATING TO THIS [REDACTED]

Statistics and industry information contained in this [REDACTED] may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section headed “Industry overview” to this [REDACTED] and elsewhere in this [REDACTED] relating to the Hong Kong market of the construction industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. The Directors believe that the sources of the information are appropriate sources for such information, and the Sponsor and the Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this [REDACTED]. In addition, the Group has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither the Group, the Directors, the Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable

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basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

The future results could differ materially from those expressed or implied by the forward-looking statements

Included in this [REDACTED] are various forward-looking statements that are based on various assumptions. The future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking statements” to this [REDACTED].