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## **RISK FACTORS**

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*You should carefully consider all of the information in this [REDACTED] including the risks and uncertainties described below before making an [REDACTED] in the [REDACTED]. You should pay particular attention to the fact that the legal and regulatory environment of which may differ in some respects from that which prevails in other countries. The business, financial condition or results of operations of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your [REDACTED].*

### **RISK RELATING TO THE PMQ PROJECT SPECIFICALLY**

**The PMQ Project accounted for approximately 83.4% and 20.9% of our total revenue during the Track Record Period and there is no assurance that we will be able to enter into projects which generate similar level of revenue in the future**

During the Track Record Period, we completed the PMQ Project in Hong Kong which was commenced in January 2012 and was substantially completed in December 2013. For the years ended 31 March 2014 and 2015, revenue derived from the PMQ Project amounted to approximately HK\$143.6 million and HK\$43.3 million, respectively, representing approximately 83.4% and 20.9% of our total revenue respectively. Since, the PMQ Project is a one-off project and is not recurrent in nature, there is no assurance that we will be able to enter into projects with similar scale and contract sum that generate similar level of revenue in the future.

### **RISKS RELATING TO THE BUSINESS OF OUR GROUP**

**Our cash flows may fluctuate due to the payment practice applied to our projects**

As at 31 March 2014, 2015 and as at 31 July 2015, our cash and cash equivalents were approximately HK\$34.9 million, HK\$55.6 million and HK\$52.8 million respectively. As a main contractor, we normally incur net cash outflows at the early stage of carrying out our works when we are required to pay the setting up expenditures in advance of payments from our customers. Our customers will pay progress payments after our works commence and such works and payments are certified by the architects of our customers. Accordingly, the cash flows of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress.

We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we take up too many significant projects, which require substantial initial setting up costs without cash inflow from other projects at a particular point of time, our corresponding cash flow position may be adversely affected.

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**Our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us after the expiry of the defect liability period**

We normally receive progress payment from our customers on a monthly basis, with reference to the value of the works completed in the preceding month. Generally, the value of the works completed is assessed by the architects of our customers who will issue an interim certificate certifying the work progress in the preceding month.

In line with industry practice, there is generally a contract term for our customer to secure our Group’s due performance by holding up retention money from the progress payment. As for contracts with the Government and quasi-Government organisations, the certified value retained at each stage is generally 1% of the progress payment, subject to a limit of retention fund of not more than 1% of the total contract sum. As for contracts with private sector customers, the certified value retained at each stage is generally 5–10%, subject to a limit of retention fund of not more than 5% of the total contract sum. In general, the retention money will be released to us after expiry of the defect liability period subject to the confirmation from the architect of our customers regarding satisfaction with our works.

There can be no assurance that the progress payment is paid to us on time and in full, or the retention money or any future retention money will be remitted by our customers to us on a timely basis and in full or that the level of bad debt arising from such payment practice can be maintained at the same level as in the Track Record Period. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

### **We rely on a limited number of major customers**

The Government and quasi-Government organisations were the major customers of our Group for the years ended 31 March 2014 and 2015, accounting for approximately 90.8% and 74.0% of our total revenue respectively. During the Track Record Period, revenue derived from our five largest customers amounted to approximately 96.2% and 96.1% of our total revenue in the years ended 31 March 2014 and 2015 respectively. Our five largest customers during the Track Record Period have maintained business relationship with us for a period ranging from one year to 20 years.

We expect that the Government and quasi-Government organisations will continue to be our major customers. Therefore, any decrease or delay in the Government’s or quasi-Government organisations’ spending in the construction industry could have an adverse effect on our operations and profits. In addition, there is no assurance that we can diversify the composition of our customer base.

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### **Our Group’s success significantly depends on the key management and our ability to attract and retain additional technical and management staff**

Our Group’s success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors and members of our senior management, especially our executive Directors, are important to us. If any of our executive Directors cease to be involved in the management of our Group in the future and our Group cannot find suitable replacements in a timely manner, there could be an adverse effect on the business, results of operation and profitability of our Group.

Detailed qualifications of our executive Directors are set out in the section headed “Directors and Senior Management” in this [REDACTED]. Our executive Directors are responsible for our business strategies and major business decisions, general management and day-to-day operation. In addition, they have established relationships with our Group’s customers, sub-contractors and suppliers.

Mr. Lam, our Chairman and an executive Director, has over 37 years of experience in the construction industry of Hong Kong. His experience, coupled with his extensive knowledge of the building construction industry in Hong Kong, enables him to understand market dynamism and industry practice for the building construction industry. In addition, as at the Latest Practicable Date, Mr. Lam was the only technical director in respect of the registered general building contractor license of Techoy Construction. In the event that Mr. Lam ceases to act as a technical director for Techoy Construction and no acceptable replacement could be appointed by our Group within a reasonable period of time, our Group must suspend all our building works immediately. The Buildings Department does not provide any definition on “reasonable period of time”. To the best knowledge and belief of our Directors, a period of around three to six months is generally allowed by the Buildings Department for appointing acceptable replacement.

Mr. Shut, our executive Director, has over 28 years of experience in the construction industry of Hong Kong. We believe that our executive team of management has the ability to develop and manage efficient operations and enables us to formulate and execute sound business strategies. There is no assurance that our Group can retain the continuous services of our executive Directors and other members of our senior management. If we fail to retain their continuous services in the management of our Group and we are unable to find suitable replacements in a timely manner, there could be an adverse and material impact on the business, results of operation and profitability of our Group.

Further, our Group retained a lean organisation structure with only 48 full time employees as at the Latest Practicable Date. Our key business decisions are made directly by our senior management team. Therefore, the number of projects that can be executed by our Group simultaneously at any given time is also limited by the capacity of our management team. In the event that we cannot retain our key employees or if there is unanticipated departure of our

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executive Directors and key management personnel without appropriate replacement, it may temporarily reduce our capacity and in turn affect our ability to carry out services for our customers which could adversely affect our business operations and profitability.

**Our financial performance and results of operations will be affected by [REDACTED] expenses and other non-recurring expenses**

The [REDACTED] expenses to be borne by our Group are estimated to be approximately HK\$[REDACTED] (assuming the [REDACTED] are not exercised and assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the midpoint of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]), of which (i) approximately HK\$[REDACTED] is directly attributable to the issue of [REDACTED] which is to be accounted for as a deduction from equity; (ii) approximately HK\$[REDACTED] is to be charged to profit or loss of our Group for the year ending 31 March 2016 and (iii) approximately HK\$[REDACTED] is borne by our [REDACTED]. Expenses in relation to the [REDACTED] are non-recurring in nature but we expect that it will significantly affect the financial performance of our Group for the year ending 31 March 2016.

Our financial performance and results of operations for the year ending 31 March 2016 will also be affected by other non-recurring expenses, namely expenses in relation to the feasibility study of setting up the “design and build” department. As disclosed in the section headed ‘Business - Business Strategies — Expand our building construction service capacity to cover “design and build” projects’, we plan to further widen our spectrum of building construction services by setting up a “design and build” department to pursue business opportunities in relation to “design and build” contracts. Therefore, we intend to conduct a feasibility study of setting up the “design and build” department and the expenses incurred thereof will have an adverse effect on the financial results of our Group.

In view of the above, potential [REDACTED] should note that the financial results of our Group for the year ending 31 March 2016 will be significantly affected by the [REDACTED] expenses and other non-recurring expenses, and our Group’s net profit for the year ending 31 March 2016 is expected to show a significant decline as compared to that for the prior financial year. Please refer to the paragraphs headed “Summary — Recent Development” and “Financial Information — Material Adverse Change” in this [REDACTED] for further details.

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

Our Group’s business is project-based. Fee collection and profit margin significantly depend on several factors, such as the terms of the work contracts, the length of the contract period, the efficiency of implementation of the contract works and the general market conditions. Therefore, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there is no assurance that the profitability of a project can be maintained or estimated at any particular level. In addition, the fee collection by the Group, the profit margin and time for profit recognition depend on the terms of the work contracts and may also be irregular.

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**Our Group determines the tender price based on the estimated time and costs involved in a project which may deviate from the actual time and costs involved. Inaccurate estimation may adversely affect our financial results**

Construction contracts are normally awarded through tendering. We have to estimate the time and costs involved in a project in order to determine the tender price. There is no assurance that the actual time and costs of the project would not exceed our estimation.

The time taken and the cost actually involved in completing a project undertaken by us may be adversely affected by many factors, such as shortage and cost escalation of labour and materials, adverse weather conditions, additional variations to the construction plans requested by our customers or because of technical construction needs, dispute with sub-contractors, accidents, changes in the Government’s level of spending and unforeseen problems and circumstances. Any one of the above factors may lead to delays in completion of construction or other works or cost overruns. During the Track Record Period, our Directors do not note any material delay or cost overrun.

Our failure to obtain permits or approvals from Government agencies or authorities in carrying out any particular construction or other work project in a timely manner can increase the cost or delay the progress of a project as well. Failure to complete construction in accordance with specifications and quality standards on a timely basis may result in disputes, contract termination, liabilities and/or lower returns than anticipated on the project concerned. Such delays or failures to complete may cause our revenue or profitability to be lower than what we have expected.

**We have records of non-compliance with certain Hong Kong regulatory requirements**

We have previously been involved in a non-compliance matter in relation to non-compliance with certain conditions and terms of Government leases and occupation permits with respect to prescribed land use. Please refer to the section headed “Business — Legal Compliance — Non-compliance of our Group” in this [REDACTED] for further details of the non-compliance matter.

There is no assurance that the relevant authorities would not take any enforcement action against our Group and our Directors in relation to the non-compliance matter. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

**We are exposed to dispute or litigation**

As main contractor, we are principally responsible for the implementation of building construction and RMAA works and we may receive claims in respect of various matters from customers, sub-contractors, workers and other parties concerned with the projects from time to time. Such claims include claims for liquidated damages for late completion of works and delivery of substantial works, and claims in respect of personal injuries and labour compensation in relation to works.

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Please refer to the section headed “Business — Litigation and Potential Claims” in this [REDACTED] for details of the outstanding and potential claims against our Group.

Such claim may fall outside the scope and/or limit of our insurance coverage. There is also no assurance that the insurance company will not counterclaim us for breach of the terms and conditions of the relevant policy. In either case, our financial position may be adversely affected.

We also need to divert management resources and incur extra costs to handle the aforementioned outstanding and potential claims, which could affect our corporate image and reputation in the construction industry if they were published by the press. If the aforementioned claims were successfully made against our Group, it would result in the incurring of legal costs, which in turn could adversely affect our revenue, results of operation and financial position.

### **We may have contingent liabilities involving uncertainty as to possible loss to our Group**

As a security for our due and faithful performance under the relevant contract, our non-Government customers generally require our Group to provide surety bonds in an amount not exceeding 10% of the contract sum issued by a bank or insurance company upon the project being awarded to our Group. As at the Latest Practicable Date, approximately HK\$0.6 million of surety bond was given by an insurance company in favour of one of our customers. In the event that we failed to provide satisfactory performance to our customers to whom the surety bonds have been given or fail to observe the terms, conditions and specifications under the contract with our customers, such customers are entitled to seek compensation from the banks or insurance companies for financial losses incurred not exceeding the bond amount, and, depending on the terms of the surety bonds and the amount of premium and/or arrangement fee payable to the banks or insurance companies, our Group may be required to reimburse the banks or insurance companies for any claims paid.

### **We are exposed to certain types of liabilities that are generally not insured against**

During the Track Record Period, our Group maintained insurance coverage against, among others, (i) employees’ compensation insurance; (ii) contractor’s all risks insurance; and (iii) office protection insurance. Please refer to the section headed “Business — Insurance” for further details. Certain types of risks, such as the risk in relation to the collectability of our trade and retention receivables and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. If an uninsured liability arises, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers.

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### **We depend on our sub-contractors to complete our projects and we may be responsible for any sub-standard performance or non-performance of our sub-contractors**

During our operations, we engage sub-contractors to provide certain services or manpower. We have established a system with respect to the selection and control of sub-contractors, including maintaining a regularly updated list of approved sub-contractors, conducting regular and ad hoc meetings with the sub-contractors, conducting routine checking by the site supervision staff and reviewing the quality of services provided by the sub-contractors with our project team members. Nevertheless, there is no assurance that we are able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff.

Suitable sub-contractors may not always be readily available when we need to outsource the works of our project. If we cannot hire suitable sub-contractors, our ability to complete projects could be impaired. If the amounts we are required to pay to the sub-contractors exceed what we have estimated, especially in contracts where no contract price fluctuation mechanism is available, we may suffer losses on these contracts. If a sub-contractor fails to provide services as required under a contract, we may need to source these services on a delayed basis or at a higher cost than anticipated, which could impact our profitability. If the sub-contractor’s performance fails to meet our standards, the quality of the whole project may be adversely affected, which could harm our reputation and potentially expose us to litigation and damages claims. During the Track Record Period, our Group did not receive any material claim or complaints from our customers in relation to the works performed by our sub-contractors.

In addition, if our sub-contractors violate any laws, rules or regulations in relation to health, safety and environmental matters, we may expose ourselves as an obligor to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations lead to any personal injuries/death or damage to properties. If there is any violation, whether substantial or minor in nature of any laws, rules or regulations, occurred at sites for which we are responsible, our operations and hence our financial position will be adversely affected.

### **Our Group is relying on certain principal sub-contractors to implement the contracts**

During the years ended 31 March 2014 and 2015, our Group’s largest sub-contractor accounted for approximately 13.6% and 14.2% of the Group’s total direct cost and our Group’s five largest sub-contractors accounted for approximately 41.2% and 38.1% of our Group’s direct cost respectively. There is no assurance that those major sub-contractors will be able to continue to provide services to our Group at fees acceptable to our Group or our Group can maintain its relationship with them in the future. Changes in sub-contracting fees may be caused by changes in cost of labour and materials, technical specifications or customers’ requirements in connection with the projects. In some instances, additional labour costs and material costs derived from delay in completion of projects caused by adverse weather condition and other unforeseen problems and circumstances may increase the sub-contracting fees. If any of our major sub-contractors cannot provide the required services to our Group or the costs for them to provide those required services

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increase substantially, changes in sub-contracting fees may adversely affect our financial performance and our Group’s business, results of operations, profitability and liquidity may be adversely affected.

### **Failure to implement safety measures on construction sites may lead to occurrence of personal injuries, property damages or fatal accident**

During our operations, we require our sub-contractors to follow and adopt all the safety measures and procedures as stipulated in the section headed “Business — Occupational Health and Safety” in this [REDACTED]. There is no assurance that there will not be any violations of rules, laws or regulations by our sub-contractors. If our sub-contractors fail to implement safety measures on our construction sites, there may be higher number of occurrence and more seriousness of personal injuries, property damage or fatal accidents, which may adversely affect the financial position of our Group to the extent not covered by our insurance policy and may cause our relevant licences being suspended or not renewed.

Furthermore, there is no assurance that the Government will not introduce new ordinances or regulations in the future and that our Group will be able to comply with such new ordinances or regulations. Any failure to comply with such new laws or regulations may have an adverse effect on the operations of our Group.

### **The works of our projects are labour intensive and we rely on a stable supply of labour to carry out our projects**

The works of our projects are essentially labour intensive works. According to the Ipsos Report, due to aging of the existing workforce and the reluctance of youngsters to join the construction industry, the problem of labour shortage will prevail for a long period of time.

During the Track Record Period, we have not encountered any material difficulties in recruiting labour to work for our projects in Hong Kong. There is no guarantee that the supply of labour will be stable. In the event that we or our sub-contractors fail to retain our existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and within budget and our operations and profitability may be adversely affected.

### **We engage labour of different trades who may launch industrial action or strikes to demand higher wages and shorter working hours**

Construction works are usually split into various different trades. Each trade cannot be easily substituted by labour of another trade as it requires highly specialised labour of its own. Consequently, industrial action of any one trade can disrupt our construction progress. During the Track Record Period, the construction industry in Hong Kong encountered strike actions by lifting workers, nail plate workers, concrete workers, steel benders and fixers and handymen.



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There is no assurance that trade unions will not launch industrial actions or strikes to demand higher wages and/or shorter working hours. If we meet their demand, we will incur additional labour costs, and if not, we will be exposed to the risk of further delay in completion of the projects and our customers may claim against us for breach of contract. In either case, these industrial actions or strikes may adversely affect our profitability and results of operations.

### **Our revenue is mainly derived from projects which are non-recurring in nature**

The projects undertaken by our Group are mostly on a case by case basis. As such, our revenue derived from such projects is not recurring in nature and we cannot guarantee that our customers will provide us with new business after completion of the current projects. Further, our Group has to go through the tendering process to secure new project work. In the event that we are unable to maintain business relationship with existing customers or unable to secure new contracts, our business and hence our revenue will be adversely affected.

### **The trend of our historical financial information may not necessarily reflect our financial performance in the future**

For the years ended 31 March 2014 and 2015, our revenue amounted to approximately HK\$172.2 million and HK\$207.0 million, respectively, representing a year-on-year growth rate of approximately 20.2%. For the years ended 31 March 2014 and 2015, our profit and total comprehensive income attributable to the shareholders amounted to approximately HK\$12.3 million and HK\$17.8 million, respectively, representing a year-on-year growth rate of approximately 44.1%.

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will solely depend on our capability to secure new contracts and keep our costs at a minimum.

### **There is no assurance that we can maintain our eligibility to tender public works of the Government**

Contractors qualified with the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are kept by contractors carrying out Government works.

Under the regime, a qualified contractor could be prohibited from tendering for public works of relevant category during a suspension period if a serious construction accident occurs at a construction site for which the contractor is responsible for or the safety performance of the contractor is not satisfactory. There is no assurance that serious accident will not happen on constructions sites for which we are responsible as main contractor, or that we will not be subject to regulatory actions in the future which may have a negative effect on our overall operations or on our eligibility to tender for Government works.

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Our participation in Government projects may draw public attention. Such publicity may or may not be adverse and there is no assurance that such publicity, whether adverse to the Group or not, will not be overstated.

### **Our Group’s operations are subject to due compliance with the Minimum Wage Ordinance**

The Minimum Wage Ordinance came into effect on 1 May 2011 and the current statutory wage level is fixed at HK\$32.5 per hour. According to the 2014 Report on Annual Earnings and Hours Survey by the Census and Statistics Department of the Government, the median hourly rate of employees in the construction industry is HK\$76.2. As confirmed by our Directors, the rate currently paid by our Company is well above the current minimum statutory wage level.

There is no assurance that the minimum wage requirement would not be raised to a much higher level. In the event that the Government decides to substantially increase the minimum wage level, our Group may have to incur substantially additional costs for the labour costs. If our Group fails to pass on the increased cost burden to our customer, the profitability of our Group could be adversely affected.

Furthermore, as statutory minimum wage is part of wages, in accordance with section 43C(2) of the Employment Ordinance, we as principal contractor are obliged to bear the liability of the first two months’ unpaid wage if our sub-contractors fail to pay statutory minimum wage in accordance with the Minimum Wage Ordinance.

### **Failure to meet schedule requirements of contracts may result in liquidated damages imposed on our Group**

Substantially all of our Group’s contracts are subject to specific completion schedule requirements with liquidated damages charged to our Group if our Group fails to meet the schedules. Liquidated damages are typically levied at a rate provided in the relevant contract for each day of delay. Any failure to meet the schedule requirements of the contracts could cause our Group to pay significant liquidated damages, which would adversely affect our liquidity and cash flows and have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

### **Our Group’s projects with the private sectors in Hong Kong is subject to higher inflation risk**

During the Track Record Period, our projects were secured through tendering. For each tendering, we are generally required to submit a fixed tender price.

Unlike the Government and quasi-Government contracts, which usually have a contract price adjustment mechanism allowing adjustment of contract price as a result of change in materials and labour costs, private sector projects in general do not have such adjustment mechanism. As such, once the tender price is fixed, the contractor is obliged to complete the private sector contract at

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such fixed price and have to bear any possible cost increase due to inflation. Our Directors consider that the inflation risk associated with private sector projects is higher than that with the Government.

### **Defect Liability Claims**

It is the common practice in the industry that a defect liability period is required by our customers, during which we are responsible to rectify all works defects identified by the architects of our customers. The defect liability period is generally 12 months from the date of practical completion certificate. If there is any significant claim raised by our customers or other parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our profitability would be adversely affected.

### **Our Group’s operations could be affected by adverse weather conditions and are subject to other construction risks**

Most of our projects are carried out outdoor. Hence, the operations of our Group may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause problems to our Group in completing our project on schedule.

Although the Government and quasi-Government contracts usually provide a mechanism allowing the extension of time for completion of the projects in case of adverse weather condition, such mechanism does not cater for the carry-over effect of the adverse weather. In addition, such mechanism may not always be available in private sector projects. If there is delay in the work of our private sector projects due to adverse weather conditions, we have to accelerate our work progress in order to catch up and complete the work on schedule. Any delay in completion of the projects will make us subject to penalty and will adversely affect the operating results of our Group. Further, the acceleration of work will inevitably incur additional costs.

We are also subject to other construction risks such as fire, suspension of water and electricity supplies which may not only affect our work progress but also pose risks on our properties kept at the construction site.

### **Our Group may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties**

There is no assurance that instances of fraud or other misconduct committed by our employees or other third parties will not take place in the future. We may be unable to detect, deter and prevent all such instances. Any of such fraud or other misconducts committed at the expense of our Group’s interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our Group’s business operations, results and financial conditions.

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### **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

#### **We face keen competition**

Our Group holds a license and various construction related qualifications granted by the respective Government departments and quasi-Government organisations that enable us to bid for and carry out Government and quasi-Government organisations contracts. Our Group is (i) a “Group C” contractor under the “Buildings” category on the Contractor List maintained by the WBDB; (ii) registered under the “Repair and Restoration of Historic Buildings” category of the Specialist List maintained by the WBDB; and (iii) a “Group NW1 (confirmed)” contractor under the Building (New Works) category and a “Group M1 (confirmed)” contractor under the Building (Maintenance) category on the Housing Authority’s List of Building Contractors.

There are a large number of qualified building construction service providers and RMAA service providers in Hong Kong. In Hong Kong, building construction service providers and RMAA service providers must be licensed to be registered general building contractors under the Buildings Ordinance and must have obtained other requisite licences, depending on the skills and technical capabilities required for relevant projects. New participants may be admitted to compete with us provided that they attain the required technical and management capabilities and skills and are granted the required licences.

According to the Ipsos Report, there were around 922 approved main contractors in the building construction works contracting industry in Hong Kong and around 340 approved main contractors in the RMAA service industry in Hong Kong in 2014. Due to the large number of competitors, we may face significant downward pricing pressure which would reduce our profit margins.

Thus, if we fail to compete effectively or maintain our competitiveness in the market, our business, financial condition and results of operations will be adversely affected.

#### **Our Group’s business relies on a number of approvals and qualifications**

A contractor has to be included in the Contractor List under one or more of the work categories maintained by the WBDB so as to be eligible to tender for public work projects. To become listed as an approved contractor, the contractor has to apply for inclusion in the list of the particular work categories and/or group. In spite of the admission of a contractor to the list, if the contractor’s performance or tendering record is found to be unsatisfactory or the contractor is unable to meet the relevant financial, technical or management criteria for retention on the list, the Government reserves the right to remove the contractor from the list or take other regulatory actions against the contractor such as suspension, downgrading in status or demotion to a lower level group, in respect of all or any of the work categories.

Please refer to the section headed “Regulatory Overview” in this [REDACTED] for details of the major qualifications held by our Group.

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In addition, if our Group is convicted of a series of safety or environmental offences within a short period of time, or if a fatal or serious construction accident occurs at a construction site for which we are responsible, depending on the seriousness of the incident, regulatory actions may be taken against our Group such as removal of our Group from the Contractor List, downgrading of our qualification to a lower status or class, suspension or restriction on us from tendering for projects.

In the event of withdrawal, revocation, suspension or downgrading of any of the Group’s qualifications in any work category, the business, the prospects and operation of the Group could be adversely affected.

### **Our Group’s operations are subject to due compliance with a number of environmental protection laws, regulations and requirements**

Our Group is required to comply with numerous environmental protection laws, regulations and requirements in Hong Kong. Please refer to the section headed “Business — Environmental matters” in this [REDACTED] for further details in relation to our measures and work procedures that are required to be followed by our operations staff and workers in respect of environmental protection compliance. If our Group’s operations fail to meet the applicable environmental protection laws, regulations and requirements, our Group may be subject to fines or required to make remedial measures which may in turn adversely affect our operations and financial condition. Furthermore, should there be any change to the environmental protection laws, regulations and requirements, we may incur additional cost in order to comply with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect the profitability of our Group.

### **Our Group’s business could be adversely affected by the Government’s level of spending on public works**

During the years ended 31 March 2014 and 2015, approximately 88.1% and 22.3% of our Group’s revenue was generated from provision of services to the Government. As some public works projects are non-recurring in nature, the level of Government’s spending budget may vary from year to year. Consequently, any change or significant delay in the level of spending on public works by the Government may affect the business and operation results of our Group. Should the Government reduces its level of spending on public works and our Group fails to secure business from other sectors, the business and profitability of our Group could be adversely affected.

## **RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG**

### **Hong Kong is our principal market and our business is susceptible to any material deterioration in the economic and regulatory environment in Hong Kong**

Our business is currently located in Hong Kong and all of our customers were based in Hong Kong during the Track Record Period. We expect that Hong Kong will continue to be our principal market and place of operation. Accordingly, if Hong Kong experiences any material adverse economic or regulatory conditions due to events beyond our control, such as local economic

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downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on us or on our industry in general, our business, results of operations and prospects would be materially and adversely affected.

In addition, we do not have business presence in overseas jurisdictions, and may have difficulty in relocating our entire business operation to other geographic markets if there is any material deterioration in the economic and regulatory environment in Hong Kong.

### **Risk of taxation changes in Hong Kong**

Under the prevailing Hong Kong laws and regulations, our profit is subject to taxation in Hong Kong. There is no assurance that the prevailing tax laws and regulations will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may have an adverse impact on our business operations and financial results.

### **RISKS RELATING TO THE [REDACTED]**

#### **There has been no prior public market for Shares in the Company**

Prior to the [REDACTED], there has been no public market for our Shares. The [REDACTED] may not be indicative of the price at which the [REDACTED] will be traded on the [REDACTED] following completion of the [REDACTED]. In addition, there can be no guarantee that an active trading market for the Shares will develop or, if it does develop, that it will be sustained following completion of the [REDACTED] or that the market price of the Shares will not fall below the [REDACTED].

#### **Liquidity and market price of the Shares are subject to various factors that are out of our control**

The market price and trading volume of the Shares may be highly volatile. Factors such as variations in our Group’s revenues, earnings or cash flows, and/or announcements of new investments, strategic alliances and/or acquisitions and fluctuations in prices for the major components could cause the market price of the Shares to change substantially. Any such developments may result in large and sudden changes in the volume and market price at which the Shares will be traded. There is no assurance that these developments will not occur in the future. It is possible that the Shares will be subject to changes in market price that may not be directly related to our Group’s financial or business performance.

The trading price of the Shares can also be subject to significant volatility in response to, among other things, the following factors:

- (1) investors’ perception of our Group and our future business plan;
- (2) variation in the operating results and financial position of our Group;
- (3) changes to our Group’s senior management;

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## **RISK FACTORS**

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- (4) unanticipated business interruptions caused by outbreaks of diseases, natural disasters or accidents;
- (5) potential litigation or regulatory investigations against our Group, if any;
- (6) the depth and liquidity of the market for the Shares; and
- (7) general economic and other material factors affecting our Group.

### **Future sale of the Shares or major divestment of Shares by any of our major Shareholders could adversely affect the market prices of the Shares**

The sale of a significant number of the Shares in the public market after the [REDACTED] or the perception that these sales may occur, could adversely affect the market price of the Shares. Except as provided under the GEM Listing Rules or otherwise described in the sections headed “History and Development” and “[REDACTED]” in this [REDACTED], there is no restriction imposed on Controlling Shareholders and corporate investors to dispose of their shareholdings in our Company. Any major disposal of Shares by any of our major Shareholders may cause the market price of our Shares to fall. In addition, these disposals may make it more difficult for us to issue [REDACTED] in the future at a time and price our Directors deem appropriate, thereby limiting our ability to raise capital.

### **Dilution effect and impact of exercise of options granted under the Share Option Scheme**

Our Group may need to raise additional funds in the future to finance expansion or new developments relating to its operations or new acquisitions. If additional funds are raised through the issue of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in the Company may be reduced and the Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Furthermore, Our Company may grant share options under the Share Option Scheme in the future. The fair value of the options at the date on which they are granted with reference to the valuer’s valuation will be charged as share-based compensation, which may materially and adversely affect our Group’s results of operations. Issue of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issue and thus may result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. No option has been granted pursuant to the Share Option Scheme as at the Latest Practicable Date. A summary of the terms of the Share Option Scheme is set out in the paragraph headed “D. Share Option Scheme” in Appendix IV in this [REDACTED].

## **RISK FACTORS**

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**[REDACTED] should not rely on any information contained in the press articles or other media regarding us and the [REDACTED]**

Prior to the publication of this [REDACTED], there might have been press articles and media coverage regarding us and the [REDACTED] which might include certain financial information, financial projections, and other information about us which do not appear in this [REDACTED]. We do not accept any responsibility for, and we cannot guarantee and make no representation as to, the appropriateness, accuracy, completeness or reliability of such information. Potential [REDACTED] are therefore cautioned to make their [REDACTED] decisions based solely on the information contained in this [REDACTED].

### **RISKS RELATING TO STATEMENTS MADE IN THIS [REDACTED]**

**We cannot guarantee the accuracy of the statistics and facts with respect to the construction industry and the economy of Hong Kong in this [REDACTED]**

This [REDACTED] contains information and statistics relating to the economy and construction industry derived from various official government publications, research reports and organisations which we believe are reliable. While we believe that such information and statistics are appropriate sources for such information, and our Directors have taken reasonable care in the reproduction of the information and have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading, such information has not been prepared or independently verified by us, the [REDACTED] or any of our or their respective affiliates or advisers. Therefore, we make no representation as to the accuracy of such information and statistics, which may not be consistent with other information compiled within or outside Hong Kong or available from other sources. Due to possibly flawed or ineffective research methods or discrepancies between the published research result and actual market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Accordingly, potential [REDACTED] should give careful consideration as to how much weight or importance should be attached or placed on such statistics, projected industry data and other information relating to the economy and the industry.



## **RISK FACTORS**

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**There is a possibility that forward-looking statements contained in this [REDACTED] may not materialise**

Included in this [REDACTED] are various forward-looking statements which can be identified by the use of forward-looking terminology such as “aims”, “believes”, “expects”, “will”, “should”, “could”, “seeks”, “anticipates”, “plans” or “intends” or by the negative of any of these terms or comparable terminology, or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our Group’s actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on assumptions regarding our Group’s present and expected future business strategies and the environment in which our Group will operate in the future. Important factors that could cause our Group’s actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the loss of our Group’s key personnel and changes relating to Hong Kong, the PRC and global economic and business conditions.