

## SUMMARY

### BUSINESS OVERVIEW

We are a main contractor in Hong Kong principally engaged in providing (i) substructure building works services; (ii) superstructure building works services; and (iii) RMAA works services. All our projects during the Track Record Period and up to the Latest Practicable Date were located in Hong Kong. During the Track Record Period, we undertook projects in both public and private sectors. For details of the breakdown of our revenue by segment and by public and private sectors during the Track Record Period, please refer to the paragraph headed “Business — Business overview” in this document.

### Customers, Suppliers and Subcontractors

During the Track Record Period, our customers include Link Asset Management Limited (previously known as The Link Management Limited) (“LAML”), church, property developers, educational institution and statutory body. Further, we engaged approximately 90 subcontractors during the Track Record Period. Besides our subcontractors, our top five suppliers include lessors of machinery and local distributors of construction materials suppliers. For details of our customers, suppliers and subcontractors, please refer to the section headed “Business” in this document.

### Our on-going projects

During the Track Record Period and up to the Latest Practicable Date, we completed 14 projects. As at the Latest Practicable Date, we had 12 on-going projects (either in progress or yet to commence) and the total outstanding contract sum of the same was approximately HK\$398.4 million. These on-going projects are expected to be completed by the year ending 31 March 2017. For details of our projects, please refer to the paragraph headed “Business — Our projects” in this document.

### Tender success rates

Based on our internal records, for each of the two years ended 31 March 2015 and the six months ended 30 September 2015, we submitted 51, 41 and 27 tenders or quotations to our new and potential customers (excluding quotations in relation to variation orders and supplemental orders), respectively and had been awarded 9, 4 and 6 projects. As such, the success rates for the same periods were approximately 17.6%, 9.8% and 22.2% respectively. For details, please refer to the paragraph headed “Business — Business model and our operation — Tender selection” in this document.

During the Track Record Period, we recorded relatively low tender success rates as to RMAA works services for the two years ended 31 March 2015 at approximately 6% and 8% respectively, and no successful tenders as to substructure building works services for the year ended 31 March 2015. It is because, as considered by our Directors, we adopt a pro-active approach in our projects procurement strategy. Our Directors confirm that we generally prepare and submit tenders in response to all invitations to tender from our new and potential customers, in order to explore and utilise every opportunity to secure new projects for our Group, maintain customers’ relationship and increase our opportunity to work with new customers.

### BUSINESS MODEL

During the Track Record Period, our projects were mainly awarded by way of tendering. Among the 14 projects we have completed during the Track Record Period and up to the Latest Practicable Date and 12 on-going projects as at the Latest Practicable Date, 23 projects were awarded by way of tendering, the aggregate contract sum of which amounted to approximately HK\$[1,407] million. The remaining three projects were awarded by submitting quotations to our customers in selecting against other candidate main contractors, the aggregate contract sum of which amounted to approximately HK\$[7.3] million.

### Invitation to tender and preparation of tender

In general, the invitation to tender is by way of letter. We adopt a cost-plus pricing model for setting our tender price. We estimate the cost by considering direct labour cost, subcontracting cost, construction material cost and insurance cost. A preliminary assessed project cost would be provided to

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our executive Directors to consider. Our executive Directors would also determine the mark-up margin. Depending on the complexity and scale of the project, it generally takes around two to five weeks for us to prepare and make a tender submission. Our executive Directors must approve and sign the tender submission before it is made.

### **Tender selection**

After tender submission, we would attend interview with our customer, respond to our customer's queries and/or negotiate with our customer about the price and/or contract terms, which are responsible by our executive Directors. If we are selected by our customer to "win" the contract, a letter of acceptance would be issued to us. The tender selection process generally takes around one to two months.

### **Project implementation**

Once we are awarded with a project, we will form a project team which is responsible to handle the project assigned to it to ensure the works are in conformity to the contractual specifications and the project is completed on time and within budget. It is also responsible for perusing the specifications set out in the contract and if necessary, apply to the relevant Government departments to obtain the requisite permits and approvals in relation to air pollution, waste disposal, noise pollution and others pursuant to environmental protection requirements before commencement of the construction works.

We would also confirm our engagement with our subcontractors after we are awarded with a project.

The construction materials that we purchased are mainly concrete and steel. We procure the same from local distributors in Hong Kong for our subcontractors to carry out the works. We do not keep any construction materials as inventory because they are procured on a project-by-project basis in accordance with the specifications.

For those subcontractors that we need to provide them machineries, we either provide them our own machineries or machineries leased from our suppliers (as agreed and included in the subcontract price). During the Track Record Period, the machineries we leased from our suppliers include generators, cranes and air compressors. As at 30 September 2015, we had 19 sets of machinery and generally six types of machinery, namely crane, excavator, grout pump, drawler drill, generator and air compressor.

We are also required to take out the employees' compensation insurance, contractor's all risks and third party liability insurance, insurance for the construction plant and equipment brought onto the site for the contract.

### **Progress payment and certification**

In general, we do not receive any sums as prepayment and only receive progress payments from our customers. Among 14 projects completed during the Track Record Period and up to the Latest Practicable Date and 12 on-going projects as at the Latest Practicable Date, save and except one project, we did not receive any sums as prepayment from our customers.

We receive progress payment from our customers pursuant to the contract. In general, for every one month, we prepare a statement setting out our estimate of the value of the works completed in the preceding month and submit the statement together with the payment application to our customers. Upon receiving such statement with our payment application, the architect and/or quantity surveyor of our customer shall assess our estimation and issue an interim certificate certifying the works completed in the preceding month. In general, it takes around 14 days from the date of our payment application to issue the interim certificate. Our customer will then make payment based on the certified amount less any retention money. Payments will normally be made by our customers within 30 days from the date of the issuance of the interim certificate.

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The amount of retention money being retained is generally agreed to be approximately 10% of the certified amount until the total amount of retention money reaches approximately 5% of the contract sum which is the maximum amount to be retained.

Payment is usually made by way of cheque or bank transfer in Hong Kong dollars.

The above mechanism is also similar to our progress payment to our subcontractors. On or before the fifteenth (15th) day of each calendar month, our subcontractors shall submit payment application to us, which shall contain the quantity of completed works certified by our foreman together with receipts and/or records showing due payment of salary to their employees and the employees of their sub-contractors (if any).

Upon receiving such payment application, we shall assess and certify the amount to be paid and make payment based on the certified amount less any retention money on the thirtieth (30th) day of the same calendar month.

### **Re-measurement and variation order**

In general, our contract sum is a fixed price lump sum but in some projects, the relevant schedule of rates contains provisional items and we may also have variation orders from our customers.

### **Duration of our projects**

During the Track Record Period, the average duration of our substructure building works projects, superstructure building works projects, and RMAA works projects completed was about 18 months, 13 months and 9 months, respectively.

### **Defect liability period and final payment**

We are required to make good any defects at our own cost within the defect liability period, which is generally 12 months, after the practical completion. After we have made good the defect to our customer's satisfaction, the residue of the retention money being retained will be released to us. In general, we impose a back-to-back defect liability period on our subcontractors.

In general, within three months after the expiry of the defect liability period and making good the defects, our customer will issue the final certificate to state the sum of all amounts previously certified and the contract sum as adjusted pursuant to the contract. Such difference shall be settled by our customer or us, as the case may be, within 14 days from the final certificate date.

### **Surety bond**

We are generally required to at our own cost obtain the guarantee of a licensed bank or insurance company in Hong Kong to be jointly and severally bound with us to our customer in a specified sum for the due performance of the contract under the terms of a bond in a specified format. The surety bond is generally released upon the practical completion. The surety bonds provided by our Group during the Track Record Period are generally in an amount not exceeding 4% of the contract sum.

### **Employees and work injuries**

As at the Latest Practicable Date, we had approximately 78 full-time employees who were directly employed by us in Hong Kong. Our direct labour cost, including wages, salaries and other employee's benefits, amounted to approximately HK\$3.3 million, HK\$12.8 million and HK\$6.0 million for each of the two years ended 31 March 2015 and the six months ended 30 September 2015, respectively which amounted to approximately 2.0%, 3.9% and 4.6% of our total direct costs respectively for the same periods.

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We also maintain an internal record of our work injuries. For each of the calendar years 2013, 2014 and 2015, we recorded two, nil and nil work injuries of our employees, respectively, of which one claim has been settled with a total amount of HK\$199,040 and was fully settled by our insurer. The remaining unsettled claim is currently being handled by our insurer.

Further, for each of the calendar years 2013, 2014 and 2015, we recorded three, seven and 11 work injuries of our subcontractors’ employees, respectively. Two claims in calendar year 2013 and five claims in calendar year 2015 have been settled with a total amount of HK\$146,554.52 and HK\$153,776.80, respectively, and the said amounts were fully settled by our insurer and/or the respective subcontractor. Two claims in calendar year 2014 have been settled with a total amount of HK\$314,290 in which HK\$310,026.67 was settled by our insurer and/or the respective subcontractor and HK\$4,263.33 was settled by us as expenses. The remaining unsettled claims in calendar years 2013, 2014 and 2015 are currently being handled by our insurer.

### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- We are an established main contractor in Hong Kong.
- We provide extensive services.
- We have established relationships with our top five customers.
- We have established relationships with our top five suppliers.
- We have an experienced and dedicated management team.

### BUSINESS STRATEGIES

Our business objective is to achieve sustainable growth in our business in Hong Kong by consolidating and expanding our works capacity in Hong Kong.

### FUTURE PLANS AND USE OF PROCEEDS

On the basis that the [REDACTED] is [REDACTED] (being the mid-point of the indicative range of the [REDACTED]), our Directors estimate that the net proceeds to be received by us from the [REDACTED] (after deducting underwriting fees, brokerage, the Stock Exchange trading fee and SFC transaction levy for the New Shares and the relevant portion of estimated [REDACTED] expenses in connection with the [REDACTED] to be borne by our Group) will be approximately [REDACTED]. Our Directors presently intend that the net proceeds payable to us from the [REDACTED] will be applied for the period from the Latest Practicable Date to 31 March 2018 as follows:

Use	Approximate percentage or amount of net proceeds to be applied
To reserve more capital to satisfy our potential customers’ requirement for surety bond	[REDACTED]% or [REDACTED]
To expand our workforce, and arrange and sponsor our engineering staff to attend external technical seminars and occupational health and safety courses	[REDACTED]% or [REDACTED]
To acquire machinery	[REDACTED]% or [REDACTED]
To reduce our gearing ratio <sup>(Note)</sup>	[REDACTED]% or [REDACTED]

*Note:* Based on our business objectives, certain bank borrowings will be repaid in an one-off manner by using [REDACTED] proceeds. For further details, please refer to the section headed “Future plans and use of proceeds” in this document.

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We estimate that [REDACTED] will receive net proceeds of approximately [REDACTED] at the [REDACTED] of [REDACTED] (being the mid-point of the indicative range of the [REDACTED]), after deducting underwriting fees, brokerage, the Stock Exchange trading fee and SFC transaction levy for the Sale Shares and the relevant portion of estimated [REDACTED] expenses to be borne by [REDACTED]. We will not receive any of the net proceeds of the [REDACTED] from the sale of the Sale Shares by [REDACTED].

If the [REDACTED] is exercised in full, assuming a [REDACTED] of [REDACTED] per Share, being the mid-point of the indicative range of the [REDACTED], we estimate the net proceeds to be received by us from the [REDACTED] (after deducting underwriting fees, brokerage, the Stock Exchange trading fee and SFC transaction levy for the New Shares and Shares to be issued pursuant to the exercise of the [REDACTED] and the relevant portion of estimated [REDACTED] expenses in connection with the [REDACTED] to be borne by our Group) would be increased to approximately [REDACTED]. We currently intend to apply such additional net proceeds to the above proposed usage items, save and except for the reduction of our gearing ratio, on a pro-rata basis. For further details on our future plans and use of proceeds, please refer to the section headed “Future plans and use of proceeds” in this document.

### KEY OPERATIONAL AND FINANCIAL DATA

	Year ended 31 March		Six months ended 30 September	
	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	200,183	377,356	154,308	154,909
Cost of revenue	<u>(165,674)</u>	<u>(328,560)</u>	<u>(131,823)</u>	<u>(132,307)</u>
Gross Profit	34,509	48,796	22,485	22,602
Profit before income tax	11,354	22,813	11,566	9,598
Profit and total comprehensive income for the year/period attributable to the owners of the Company	<u>9,420</u>	<u>18,478</u>	<u>9,546</u>	<u>7,861</u>

The following tables set forth our gross profit and gross profit margin by business segments and by source of projects for the periods indicated:

	Year ended 31 March				Six months ended 30 September			
	2014		2015		2014		2015	
	Gross Profit HK\$'000	Gross Profit margin %	Gross Profit HK\$'000	Gross Profit margin %	Gross Profit HK\$'000	Gross Profit margin %	Gross Profit HK\$'000	Gross Profit margin %
Substructure								
building works								
services	11,776	15.6	21,205	16.1	11,928	18.1	6,575	17.8
Superstructure								
building works								
services	687	2.2	22,823	10.3	6,380	8.9	15,356	13.3
RMAA works								
services	<u>22,046</u>	23.6	<u>4,768</u>	19.2	<u>4,177</u>	24.6	<u>671</u>	29.1
	<u>34,509</u>	17.2	<u>48,796</u>	12.9	<u>22,485</u>	14.6	<u>22,602</u>	14.6

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	Year ended 31 March		2015		Six months ended 30 September		2015	
	2014		2014		2014		2015	
	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin	Gross Profit	Gross Profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Private sector	32,049	16.9	49,795	13.2	22,138	14.4	22,602	14.6
Public sector	<u>2,460</u>	24.3	<u>(999)</u>	(104.6)	<u>347</u>	57.9	<u>—</u>	—
	<u>34,509</u>	17.2	<u>48,796</u>	12.9	<u>22,485</u>	14.6	<u>22,602</u>	14.6

For further details, please refer to the section headed “Financial information” in this document.

	As at 31 March		As at
	2014	2015	30 September 2015
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	16,126	27,195	24,938
Current assets	100,676	156,751	166,861
Current liabilities	106,534	160,252	161,686
Net current assets/(liabilities)	(5,858)	(3,501)	5,175
Non-current liabilities	3,091	3,589	2,147
Net Assets	7,177	20,105	27,966

	Year ended 31 March		Six months ended 30 September	
	2014	2015	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(5,453)	34,029	10,230	20,649
Net cash used in investing activities	(13,641)	(44,029)	(11,334)	(3,386)
Net cash generated from/(used in) financing activities	8,156	16,108	8,296	(9,557)
Net (decrease)/increase in cash and cash equivalents	(10,938)	6,108	7,192	7,706
Cash and cash equivalents at beginning of year/period	10,704	(234)	(234)	5,874
Cash and cash equivalents at end of year/period	(234)	5,874	6,958	13,580

For further details and analysis of our financial information, please refer to the section headed “Financial information” in this document.



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### KEY FINANCIAL RATIOS

Selected Ratios	Year ended 31 March		Six months ended
	2014	2015	30 September 2015
Gross profit margin	17.2%	12.9%	14.6%
Net profit margin	4.7%	4.9%	5.1%
Gearing ratio	602.8%	310.0%	192.0%
Current ratio	0.9	1.0	1.0
Return on equity	88.0%	135.5%	32.7%
Return on assets	9.8%	12.3%	4.2%

The gearing ratios were 602.8%, 310.0% and 192.0% as at 31 March 2014 and 2015 and 30 September 2015. The high gearing ratios during the Track Record Period were mainly due to (i) interim dividends of HK\$16.5 million and HK\$5.6 million declared by a group entity, namely Ching Lee Engineering, to its then shareholder, Mr. Ng for the years ended 31 March 2014 and 2015 respectively, which significantly lowered its total equity; and (ii) lower net profit recorded for the year ended 31 March 2014. The gearing ratios had been improved significantly throughout the Track Record Period, mainly attributable to (i) improvement in the Group’s net profit while there were several new projects being commenced during the year ended 31 March 2015 and afterwards, which improved the net profit and (ii) repayment of bank borrowings and overdraft. We plan to reduce our gearing ratios by repaying part of the bank borrowing after the [REDACTED]. Please refer to the section “Future plans and use of proceeds” in this document for further details.

Please refer to the paragraph headed “Analysis of selected financial ratio” under the section headed “Financial information” in this document for further details.

### RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of provision of (i) substructure building works services; (ii) superstructure building works services; and (iii) RMAA works services. The aggregate contract value of these on-going projects are as follow:

- four substructure building works services of contract value of approximately HK\$211.9 million in aggregate;
- six superstructure building works services of contract value of approximately HK\$652.1 million in aggregate; and
- two RMAA works services of aggregate contract value of approximately HK\$79.2 million.

Recently, a slowdown was shown in Hong Kong’s property market:

- According to the Land Registry, the total number of sale and purchase agreements for building units in January 2016 decreased by around 41.0% and 62.4% as compared with December 2015 and January 2015 respectively.
- According to Rating and Valuation Department, the price index of private residential building by all classes has been in decline since July 2015, from 304.1 falling to 285.2 in December 2015. During the same time, the price index of overall private office dropped from 457.0 to 450.1.
- Total floor area of completion of overall private office is expected to decrease by 22.4% from 219,000m<sup>2</sup> in 2015 to 170,000m<sup>2</sup> in 2016 and the completion of private residential building (large units) is expected to decrease by 41.6% from 3,100 units in 2015 to 1,810 units in 2016.

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Despite this recent downturn, with the government’s supporting policy on increasing private housing supply as well as land for private housing use, the demand for superstructure and substructure works in Hong Kong may not be impacted according to Ipsos Report due to following reasons:

- According to 2016 Policy Address, the Housing Authority and the Hong Kong Housing Society will produce about 97,100 public housing units, of which about 76,700 will be public rental housing units and about 20,400 will be subsidised sale flats over the next 5 years.
- In addition, the Government also strived on increasing the land supply for residential and commercial uses. On commercial land supply, according to the 2016 Policy Address, the projects regarding Kwu Tung North (古洞北) and Fanling North New Development Areas, Tung Chung New Town Extension, Hung Shui Kiu New Development Areas and Yuen Long South Development are progressing, which will provide over 7.8 million m<sup>2</sup> of floor area for commercial or industrial uses in the next 3 to 4 years. In addition, the Government will continue to convert suitable government, institution or community sites in core business districts into commercial use and the development of Kowloon East as an alternative core business district.
- The upcoming infrastructure projects such as MTR’s railway extension and new added station projects will also increase the demand for substructure activities. With the expected rail extension and new set-up stations in the future, a lot of substructure and foundation works are in demand therefore support the substructure works industry in Hong Kong.

The Directors concur with the view of the Ipsos Report. In addition, the Company has 12 on-going projects (either in progress or yet to commence) as at the Latest Practicable Date. The total outstanding contract sum of the said projects amounts to approximately HK\$398.4 million, among which HK\$364.5 million of revenue is expected to be recognised for the year ending 31 March 2017. As such, the Directors believe that such downturn will not have any significant impact on the Group’s business, operations and financial conditions.

As at the Latest Practicable Date, the outstanding contract sums to be completed for each category were:

- substructure building works services of approximately HK\$66.3 million;
- superstructure building works services of approximately HK\$264.4 million; and
- RMAA works services of approximately HK\$67.7 million.

As at the Latest Practicable Date, all our on-going projects were projects in private sector. Please refer to the section headed “Business — Our projects” for further details of our on-going projects as at the Latest Practicable Date. Our business model and cost structure remained unchanged since 30 September 2015. Our projects on hand continued to contribute revenue subsequent to the Track Record Period and our Directors do not note any material interruption of progress works, material delay or any other exceptional situation for such existing contracts.

Save as the [REDACTED] expenses, our Group did not have any significant non-recurrent items in our consolidated statements of profit or loss and other comprehensive income subsequent to the Track Record Period. Our results of operation for the year ending 31 March 2016 are expected to be significantly affected by the non-recurring [REDACTED] expenses as discussed in the paragraph headed “[REDACTED] expenses” below in this section.

The net current assets of our Group as at 31 January 2016 were approximately HK\$9.2 million. As at the Latest Practicable Date, approximately 99.6% of the trade receivables as at 30 September 2015 had been subsequently settled, and 100% of the trade payables as at 30 September 2015 had been subsequently settled.



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### [REDACTED] EXPENSES

The Group expects that the total [REDACTED] expenses, which is non-recurring in nature, will amount to approximately [REDACTED] of which the Group is expected to bear approximately [REDACTED] and approximately [REDACTED] will be borne by [REDACTED]. The Group did not record any [REDACTED] expenses during the Track Record Period. The Group expects to recognise approximately [REDACTED] in the combined statements of comprehensive income for the year ending 31 March 2016; while approximately [REDACTED] to be directly attributable to the issue of new Shares and accounted for as a deduction from equity upon successful [REDACTED] under the relevant accounting standards. Accordingly, the financial results of the Group for the year ending 31 March 2016 are expected to be affected by the estimated expenses in relation to the [REDACTED]. Such [REDACTED] expenses is a current estimate for reference only and the final amount to be charged to the profit and loss account of the Group for the year ending 31 March 2016 and the amount to be deducted from the Group’s capital is subject to change.

### STATISTICS OF THE [REDACTED]

Number of [REDACTED]:	[REDACTED] Shares (subject to the [REDACTED]) (comprising [REDACTED] New Shares to be offered by our Company and [REDACTED] Sale Shares to be offered by [REDACTED])	
[REDACTED] structure:	[REDACTED]% of the enlarged issued share capital of the Company	
[REDACTED]	Up to [REDACTED]% of the [REDACTED] initially available under the [REDACTED]	
[REDACTED]:	Not more than HK\$[REDACTED] per [REDACTED] and expected to be not less than HK\$[REDACTED] per [REDACTED]	
Market capitalisation of the Shares:	Based on a [REDACTED] of [REDACTED] per Share	Based on a [REDACTED] of [REDACTED] per Share
	[REDACTED]	[REDACTED]

### OUR SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the [REDACTED] without taking into account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any option which may be granted under the Share Option Scheme, our Company will be owned as to [REDACTED]% by JT Glory, which is wholly-owned by Mr. Ng (our Chairman, chief executive officer and executive Director). For the purposes of the GEM Listing Rules, JT Glory and Mr. Ng are our Controlling Shareholders.

### DIVIDEND

For the years ended 31 March 2014 and 2015, the interim dividends amounting to approximately HK\$16.5 million and HK\$5.6 million respectively represented interim dividends declared by a group entity, namely Ching Lee Engineering, to its then shareholder, Mr. Ng. Both interim dividends declared for the years ended 31 March 2014 and 2015 have been fully settled by offset against the amount due from a director of Ching Lee Engineering, who is also the then shareholder of Ching Lee Engineering, Mr. Ng.

During the Track Record Period, our Group has certain amounts due from/to related companies and Mr. Ng. The net amount due from related companies and Mr. Ng in the sum of approximately HK\$48 million as at the Latest Practicable Date will be fully settled by:

- (i) Setting off against a special dividend of approximately HK\$36 million declared in March 2016 and distributed by Ching Lee Engineering to Mr. Ng before [REDACTED]; and
- (ii) Part of the net proceeds to be received by [REDACTED] from the [REDACTED] of the Sale Shares of approximately [REDACTED].

The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Board in the future. For details please refer to the paragraph headed “Financial information — Dividend and dividend policy” in this document.

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### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible of our Group has been prepared, on the basis of the notes set forth in Appendix II to this document, for the purpose of illustrating the effect of the [REDACTED] as if it had taken place on [30 September 2015].

[REDACTED]

### RISK FACTORS

Potential investors are advised to carefully read the section headed “Risk factors” in this document before making any investment decision in the [REDACTED]. Some of the more particular risk factors include:

- Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results.
- We depend on our suppliers for concrete and steel and other construction materials, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price.
- We may be involved in construction and/or labour disputes, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result.
- We determine our tender price based on the estimated time and costs to be involved in a project, yet the actual time and costs incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results.
- Our contracts generally have provisional and/or re-measurement items of works and our customers may cancel certain contract works by variation orders resulting in the total contract sum of that project reduced, which would adversely affect our operations and financial results.
- Amount recognised as revenue by us may not be the same as the value of works to be certified by our customers.
- We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results.

### HISTORICAL NON-COMPLIANCE INCIDENTS

There were instances where our Group failed to comply with certain applicable laws and regulations in Hong Kong during the Track Record Period, including non-compliance with: (i) the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong); (ii) the Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) and Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong); and (iii) the Companies Ordinance and Predecessor Companies Ordinance.