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## RISK FACTORS

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*Potential investors should carefully consider all of the information set out in this document and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the [REDACTED]. If any of the possible events as described below, or any other risk factors or uncertainties that our Company is unaware of, materialises, our Group's business, financial position and prospects could be materially and adversely affected and 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 OUR BUSINESS

#### **We are reliant on the availability of construction and civil engineering projects from the public and private sectors in Hong Kong and construction projects from the private sector in Macau**

Our results of operations are affected by the number and availability of construction and civil engineering projects from the public and private sectors in Hong Kong and construction projects from the private sector in Macau, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong and Macau, changes in government policies relating to the Hong Kong and Macau property markets, the general conditions of the property markets in Hong Kong and Macau, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. In particular, during the entire Track Record Period, we derived revenue of approximately over HK\$90 million from various jobs involving the Central-Wan Chai bypass project in Hong Kong, representing over 30% of our total revenue for the entire Track Record Period.

A downturn in either sector, or both, may result in a significant decrease in the number of concrete demolition jobs available in Hong Kong and Macau in general. For instance, an economic downturn in Hong Kong and/or Macau, an outbreak of epidemic disease, and/or adverse government policies on the property markets in Hong Kong and/or Macau may lead to a significant decline in the number of private housing construction projects. On the other hand, government spending on infrastructures and the number of public sector projects may be affected by factors such as government budgets and town planning.

There is no assurance that the number of private sector projects and/or public sector projects will not decrease in the future. There is no assurance that the Hong Kong Government will continue to launch large scale civil engineering projects in Hong Kong. In the event that the availability of concrete demolition jobs decreases as a result of the decrease in the number of private and/or public sector projects in Hong Kong and/or Macau, our businesses and results of operations may be adversely and materially affected.

#### **Our revenue is mainly derived from jobs which are not recurrent in nature and there is no guarantee that our customers will provide us with new businesses**

Our revenue is typically derived from jobs which are non-recurrent in nature. During the Track Record Period, we secured new businesses mainly through direct invitation to tender or request for quotation by customers.

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We generally do not enter into long-term agreements with our customers and our customers are therefore under no obligation to award jobs to us. As such, there is no guarantee that we will be able to secure new business from customers. Accordingly, the number and scale of jobs and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it may be difficult to forecast the volume of future business.

### **Our past revenue and profit margin may not be indicative of our future revenue and profit margin**

For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our revenue amounted to approximately HK\$117.1 million, HK\$120.1 million and HK\$60.7 million respectively; and our gross profit amounted to approximately HK\$32.3 million, HK\$38.1 million and HK\$17.7 million, respectively; while our profit and total comprehensive income for the year or period attributable to owners of the Company amounted to approximately HK\$10.3 million, HK\$14.2 million and HK\$2.2 million (for the six months ended 30 June 2016), respectively.

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 depend on our capability to secure new businesses and to control our costs. Profit margins for our concrete demolition works may fluctuate from job to job due to factors such as the type of demolition techniques and machineries employed and the amount of labour resources required. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

### **Cancellation, suspension or delay in the commencement of public projects, which may be caused by factors such as political disagreements in relation to such projects, delay in approval of funding proposals due to political objections or legal actions by the affected members of the public, may adversely affect our financial position and results of operation**

For the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our revenue derived from public sector jobs in Hong Kong represented 47.7%, 49.4% and 69.9% of our total revenue, respectively. The cancellation or delay in commencement of public projects may result in decrease in number of public sector jobs awarded to us, whereas the suspension of public projects may cause disruption to the progress of our on-going public sector jobs. In either case, the demand for our concrete demolition services would be adversely affected.

Cancellation, suspension or delay in the commencement of public projects may be caused by, among other things, political disagreements in relation to such projects, delay in approval of the funding proposals for public works due to political objections by law-makers and/or protests or legal actions by affected individuals or entities. Our engagements in

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public sector jobs depend on the timing of the funding approval by the committees of the Legislative Council of Hong Kong in which delays in the passing of public works funding proposals have occurred in recent years.

The cancellation, suspension or delay in the commencement of public projects may affect our results of operation if we are not able to secure new business from private sector jobs at the same or similar level to offset the potential decrease in revenue derived from public sector jobs. In addition, the uncertainty on the commencement the relevant public projects also make it more difficult for us to make accurate planning for the demand, deployment of our machineries and labour resources, which may adversely affect our operations and financial performance.

### **Our pricing is subject to competition from our competitors as well as our estimation of the work and costs involved in a job which may deviate from the actual work and costs involved**

Our pricing is subject to competition from our competitors and is determined on a case-by-case basis having regard to various factors which generally include (i) the estimated number and types of workers required; (ii) the difficulties of the works involved; (iii) the demolition methods and techniques expected to be applied; (iv) the estimated number and types of machines required; (v) the availability of our manpower and resources; (vi) the completion time requested by customers; (vii) the need for subcontracting; (viii) the overall cost in undertaking the job; (ix) the past prices offered to the customer and (x) the prevailing market conditions. If we set a significant mark-up margin in our pricing, our quotation or tender may become uncompetitive. There is no assurance that we will always be able to price our tender competitively, and if we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of jobs awarded to us. Meanwhile, if the mark-up margin we set is too low, we may not be able to cover the financial impact of unfavourable circumstances during the performance of the job. Our profitability in the job would therefore be materially adversely affected.

In addition, we need to estimate the work and costs involved in a concrete demolition job in order to determine our fee. There is no assurance that the actual amount of work and costs would not exceed our estimation during the performance of the jobs. The actual amount of work and costs involved in completing a concrete demolition job may be adversely affected by numerous factors including adverse weather conditions, accidents, breakdown of machinery and equipment, unforeseen site conditions such as limited spaces that hindered the use of certain machinery or unexpected thickness, depth, composition, or size of concrete structures to be demolished, and other unforeseen circumstances. Any material and inaccurate estimation of the work and costs involved in a job may adversely affect our profit margin and results of operations.

### **We face risks in relation to the collectability of our trade receivables and retention receivables**

We usually grant our customers a credit period ranging from 14 to 60 days from the date of issue of our invoices. However, there can be no assurance that our customers will settle our invoices on time and in full. Our customers usually have the right to withhold

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10% of each progress payment due to us as retention money. In general, the total amount of retention money will not exceed 5% of the contract sum. There can be no assurance that such retention money will be released by our customers to us on a timely basis and in full upon job completion or within the specified period after completion. As at 31 December 2014 and 2015 and 30 June 2016, we recorded retention receivables of approximately HK\$8.7 million, HK\$10.0 million and HK\$12.7 million, respectively. As at 31 December 2014 and 2015 and 30 June 2016, we recorded contract receivables of approximately HK\$8.8 million, HK\$19.2 million and HK\$23.8 million, respectively. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our debtors' turnover days of the contract receivables were 18.2 days, 42.5 days and 64.4 days, respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

### **Failure to invest in suitable machineries or any failure, damage or loss of our machineries may adversely affect our operations and financial performance**

Our concrete demolition services rely on the machineries and equipment owned by us. The market demand for different concrete demolition techniques and different types of machinery or equipment may change continuously. If we fail to remain attentive to and invest in suitable machineries to cope with any latest development in such market demand and to cater for different needs and requirements of our customers, overall competitiveness, financial performance and operating results may be adversely affected.

In addition, there is no assurance that our machinery and equipment will not be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. In addition, machineries may break down or malfunction due to wear and tear or mechanical issues. In such case, if we fail to make proper repair and/or replacement in a timely manner, our operations and financial performance could be adversely affected.

### **If the performance of our subcontractors is not satisfactory or their services are not available, our operations and profitability may be adversely affected**

Depending on the availability of our labour resources, we may subcontract works to other subcontractors. For the years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, subcontracting charges incurred by us amounted to approximately HK\$27.4 million, HK\$27.6 million and HK\$15.5 million, respectively.

We carefully evaluate subcontractors in terms of their technical capability, track records, labour resources, and pricing. However, there is no assurance that the work quality of our subcontractors can always meet our requirements. We may not be able to monitor the performance of our subcontractors as directly and efficiently as with our own staff. Subcontracting exposes us to risks associated with non-performance, delayed performance or sub-standard performance by our subcontractors. As a result, we may experience deterioration in the quality or delayed delivery of our works and incur additional costs to carry out remedial action. Consequently, we may be subject to liability under the relevant contract with our customers for our subcontractors' unsatisfactory performance, which, in turn, would adversely affect our profitability, financial performance and reputation.

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In addition, there is no assurance that our 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, our operation and financial position may be adversely affected.

### **Our Group is dependent on key personnel and may not be able to retain them**

Our Directors believe that our success, to a large extent, is attributable to, amongst other things, the contribution of Mr. Cheung, an executive Director, our Chairman and chief executive officer, and Mr. Chan, an executive Director. Details of their experience are set out in the section headed "Directors and Senior Management" in this document.

Our key personnel and management talents, efforts and expertise in the concrete demolition industry are crucial to our operations and financial performance. If any of our executive Directors or senior management terminates his/her service agreement with us or otherwise ceases to serve our Group and appropriate persons could not be found to replace them, our operations will be adversely affected. There is no assurance that we will be able to attract and retain capable staff or that they will not resign in the future.

### **Any increase in cost of labour and the availability of labour may adversely affect our competitiveness and profitability**

Our staff cost under cost of sales amounted to approximately HK\$24.2 million, HK\$20.2 million and HK\$12.2 million (representing approximately 28.5%, 24.6% and 28.5% of our total cost of sales) for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively.

Labour cost in Hong Kong and Macau may be affected by the demand for and supply of labour as well as economic factors in Hong Kong and Macau including the inflation rate and standard of living. There is no guarantee that the supply of labour and average labour costs will be stable. In addition, under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), 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). As confirmed by our Directors, none of our employees were paid at the current statutory minimum wage of HK\$32.5 per hour or lower as at the Latest Practicable Date. However, there is no assurance that the statutory minimum wage will not be increased in the future. In the event that we 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 jobs and/or there is a significant increase in the costs of labour, we may not be able to complete our jobs on schedule and/or within budget and our operations and profitability may be adversely affected.

### **Expiry, withdrawal, revocation and/or failure to renew any of our various registrations and licences would adversely affect our operations and financial results**

We possess various licences and qualifications in relation to and ancillary to our concrete demolition works in Hong Kong. As at the Latest Practicable Date, Kingland (Sino) was registered (i) in the Subcontractor Registration Scheme of the Construction Industry

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Council under the trade specialties of general demolition and others (concrete coring and saw cutting); (ii) as a Registered Minor Works Contractor with the Buildings Department; (iii) as a Registered Electrical Contractor of the Electrical and Mechanical Services Department and (iv) as a Registered Specialist Contractor with the Buildings Department under the category of demolition works. For details of our licences and qualifications, and their respective applicability in our business, please refer to the section headed "Business – Licences and permits" in this document.

These registrations and/or licences may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant government authorities. There can be no assurance that we would be able to renew the registrations and/or licences in a timely manner or at all. If we fail to do so, we may be required to suspend our operations, which would have a material adverse effect on our business and operating results.

Further, the relevant government authorities may remove us from their lists or take other disciplinary actions against us such as suspension for various reasons, including but not limited to sub-standard works and failure to implement adequate safety measures. The occurrence of any of the above scenarios would damage our reputation in the construction industry, limit our ability to compete for new jobs and impair our exposure to our customers, which in turn would have an adverse effect on our growth and operations.

### **We may be liable to compensate our customers for losses and expenses incurred as a result of our failure to complete works on time**

In some jobs, our customers may require us to complete the works within a specified period or in accordance with their works schedule. If we fail to do so, we may be liable to compensate our customers at a specified rate on a daily basis unless an extension of time was granted by them. As a result, our Group may be liable to pay significant amount of compensation, which would adversely affect our liquidity and cash flows and have a material adverse impact on our business, financial condition, results of operations, reputation and prospect.

### **Our top five customers accounted for a substantial portion of our revenue**

Our top five customers accounted for approximately 86.2%, 59.8% and 66.0% of our total revenue for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. Our top five customers are not obligated in any way to continue to provide us with new businesses in the future at a level similar to that in the past or at all. If any of these top customers were to substantially reduce the volume and/or the value of new businesses to us or to terminate the business relationship with us entirely, there can be no assurance that we would be able to secure new businesses from other customers as replacement. In addition, there can be no assurance that new businesses secured from other customers as replacement, if any, would be on commercially comparable terms. As such, our operations and financial performance and prospects may be materially and adversely affected.

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### **Our top five suppliers accounted for a substantial portion of our purchases**

Our top five suppliers accounted for approximately 77.7%, 58.0% and 66.0% of our relevant cost of sales <sup>(note)</sup> for each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, respectively. If any of our top suppliers were to substantially reduce the amount of goods or services provided to us or to terminate the business relationship with us entirely, there can be no assurance that we would be able to identify new suppliers as replacement. In addition, there can be no assurance that the provision of goods and services from the new suppliers, if any, would be on commercially comparable terms. As such, our operations and financial performance and prospects may be materially and adversely affected.

*Note:* excluding depreciation, staff costs and subcontracting charges.

### **Certain leased properties of our Group were subject to building orders issued against the landlords**

Our Group currently lease certain premises situated at Units A and D, 1st Floor (the "1st Floor Premises") and Flat B, Ground Floor (the "Ground Floor Premises"), Fu Hop Factory Building, Nos. 209 & 211, Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. We used the 1st Floor Premises as warehouse for our machinery, parts, consumables and other miscellaneous materials, and the Ground Floor Premises as general office and operational use, workshop for our in-house repair and maintenance of machinery and warehouse for our machinery, parts, consumables and other miscellaneous materials.

On 7 February 2013, the Building Authority issued: (i) a building order against the owner of the Ground Floor Premises in connection with the unauthorised alterations to the internal wall, a canopy attached to the external wall and a metal frame yard structure; and (ii) two building orders against the owner of the 1st Floor Premises in connection with unauthorised alterations to a fire resistance door and an external wall.

Pursuant to the aforesaid building orders, the owners of the two premises were required to demolish the unauthorised building works and reinstate the parts of the building so affected by such building works in accordance with the plans approved by the Building Authority. As at the Latest Practicable Date, no letter of compliance had been issued by the Building Authority in respect of these buildings orders pursuant to the records of the Land Registry.

The aforesaid building orders had been addressed to the owners of the premises, and our Group was unaware of the existence of such orders until copies of the building orders were retrieved from the Land Registry in preparation for the [REDACTED]. If the owners of the 1st Floor Premises and the Ground Floor Premises are to carry out rectification works to the said premises or the Building Authority considers that the rectification works carried out are not in compliance with the relevant building order(s), and our normal use of the said two premises are interrupted or otherwise affected as a result thereof, our business and operations may be adversely affected.

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### **Our profitability may be affected by the potential increase in depreciation expenses upon the planned acquisition of additional machineries and equipment**

It is one of our business strategies to acquire additional concrete demolition machineries and equipment by utilising a portion of the net proceeds from the [REDACTED] so as to enhance our technical ability and to strengthen our capability to cater for various needs and requirements of different customers. Please refer to the section headed "Future Plans and Use of Proceeds" in this document for details in this regard. As a result of the purchase of additional machineries and equipment, it is expected that additional depreciation will be charged to our profit and loss account and may therefore affect our financial performance and operating results.

Based on the accounting policies adopted by our Group, depreciation on machineries and equipment is calculated using the straight-line method. Therefore, based on the intended timing of deployment of the proceeds for purchasing machineries and equipment and taking into account our existing machineries and equipment, it is estimated that depreciation expenses on plant and machineries of approximately HK\$1.2 million and HK\$1.5 million will be incurred for the year ending 31 December 2016 and 31 December 2017, respectively.

### **We may be involved in construction and/or labour disputes, legal and other proceedings arising from our operations from time to time**

We may receive claims in respect of various matters from our customers, subcontractors, workers and other parties concerned with our jobs from time to time. Such claims include claims for compensation for late completion of works and delivery of substandard works, and claims in respect of personal injuries and labour compensation in relation to the works. Please refer to the section headed "Business – Litigation and claims" in this document for further information.

Should any claims against us fall outside the scope and/or limit of insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the construction industry if they were published by the press. If the aforesaid claims were successfully made against our Group, it would result in the incurrence of legal costs, which in turn could adversely affect our revenue, results of operation and financial position.

Due to the nature of our business, we may become involved in claims, legal proceedings and investigations relating to, among other things, contractual disputes with customers or subcontractors, labour disputes, workers' compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert our management's attention away from the operation of our business. The legal proceedings to which we are a party or may in the future become a party may have a material and adverse impact on our business.



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### **Our Group has records of certain non-compliance of Hong Kong regulatory requirements**

There have been a number of instances of non-compliance with certain Hong Kong regulatory requirements on various occasions by our Group and Kingland Concrete (prior to the Transfer of Business). These comprise: (i) the Inland Revenue Ordinance in respect of timely filing of notification in relation to commencement and cessation of employment; and (ii) the Employees' Compensation Ordinance in respect of the notifications to the Commissioner of Labour regarding injuries of employees. For details, please refer to the section headed "Business – Non-compliance" in this document.

Save for the non-compliance of Kingland Concrete committed prior to the Business Transfer of Business, there is no assurance that the relevant authorities would not take any enforcement action against us and our Directors in relation to the non-compliance. In the event that such enforcement action is taken, our reputation, cash flow and results of operation may be adversely affected.

### **Fluctuations in exchange rates may increase our operating costs**

Some of our purchases, such as those of certain consumables and machinery parts that are imported from places outside Hong Kong, are denominated in currencies other than Hong Kong dollars, such as US\$, MOP and RMB. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our purchases denominated in currencies other than Hong Kong dollars amounted to approximately HK\$8.5 million, HK\$4.0 million and HK\$2.8 million, respectively, representing approximately 26.3%, 11.9% and 19.0% of our total purchases for the respective years. As we did not engage in any hedging activity, any substantial depreciation in Hong Kong dollars against such currencies will increase our costs and affect our profitability.

### **Our business plans and strategies may not be successful or be achieved within the expected time frame or within the estimated budget**

We intend to further enhance our machineries and strengthen our manpower in order to cope with the expected increase in demand for our services. However, our plans and strategies may be hindered by risks including but not limited to those mentioned elsewhere in this section. There is no assurance that we will be able to successfully maintain or increase our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

### **Events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks could significantly delay, or even prevent us from completing, our jobs**

Our operations are subject to uncertainties and contingencies beyond our control that could result in material disruptions in our operations and adversely affect our business. These include epidemics, natural disasters, fire, adverse weather conditions, political unrest,

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wars and terrorist attacks. Any such event could cause us to reduce or halt our operation, adversely affect our business operation, increase our costs or prevent us from completing our jobs, any one of which could materially and adversely affect our business, financial condition and results of operations.

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

#### **The construction industry, including the concrete demolition industry in Hong Kong and Macau has been facing the issue of labour shortage**

According to the Ipsos Report, the construction industry, including the concrete demolition industry in Hong Kong and Macau has been facing the issue of labour shortage. The growing demand for construction works exacerbated the shortage issue, pushing up the daily wage of a worker in concrete demolition industry in Hong Kong from 2010 to 2015 from approximately HK\$812.2 per day per worker to approximately HK\$1,253.1 per day per worker, and the average daily wage per worker in the construction industry in Macau from approximately MOP549.8 per day per worker to approximately MOP749.0 per day per worker.

If our Group is unable to recruit or retain sufficient workers or fails to effectively manage our staff costs as a result of shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

#### **Personal injuries, property damages or fatal accidents may occur during the performance of our works**

Notwithstanding our 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 our 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 would materially and adversely affect our business operations and our financial position to the extent not covered by insurance policies. Also, failure to maintain safe construction sites may lead to convictions and/or penalties which, in turn, could affect the registration and/or renewal status of our various licences.

In addition, any personal injuries and/or fatal accidents to the employees of our Group and our subcontractors may lead to claims or other legal proceedings against our Group. Any such claims or legal proceedings could adversely and materially affect our financial position to the extent not covered by insurance policies. Also, notwithstanding the merits of any such claims or legal proceedings, we 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 our business operations.

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### **Our insurance policies may not be sufficient to cover all liabilities and our insurance premium may increase from time to time**

We have taken out insurance policies in line with industry practice to cover certain aspects of our 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 our 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, we may suffer losses which may adversely affect our financial position.

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

We also cannot guarantee that our insurance premiums will not rise or we may be required by law or our customers to obtain additional insurance coverage. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, our total insurance costs incurred were approximately HK\$1.0 million, HK\$0.9 million and HK\$0.4 million, respectively. Any further increase in insurance costs or reduction in coverage may materially and adversely affect our business operations and financial results.

### **We are exposed to environmental liability**

Our business is subject to the environmental regulations in Hong Kong and Macau. Such regulations may be revised by the Hong Kong Government and Macau Government from time to time to reflect the latest environmental needs. For each of the two years ended 31 December 2014 and 2015 and the six months ended 30 June 2016, we incurred approximately HK\$8,000, HK\$50,000 and HK\$11,000, respectively in relation to the compliance with applicable environmental requirements. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

### **Site works could be affected by adverse weather conditions and are subject to other construction risks**

Some of our jobs are undertaken outdoor and therefore our operations may be interrupted or otherwise affected by adverse weather conditions such as rainstorms and tropical cyclones, which may cause difficulties to our Group in completing our jobs on schedule. In addition, we are subject to other construction risks such as fire and suspension of water and electricity supplies, which may also affect our work progress. Adverse weather conditions and other construction risks may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

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### **There is no assurance that competition in the industry will not increase in the future**

We mainly compete with other concrete demolition service providers for new businesses. There is no assurance that competition in the industry will not increase in the future. Increased competition may result in an adverse impact on our business and financial positions and prospects.

### **RISKS RELATING TO HONG KONG AND MACAU**

#### **The general economic conditions in Hong Kong and Macau may affect our business and financial positions**

Our performance and financial position are heavily dependent on the state of economy in Hong Kong and Macau as we derive our revenue from our operations in Hong Kong and Macau during the Track Record Period. In the event that there is a downturn in the economy of Hong Kong and Macau, our results of operations and financial position may be severely affected.

#### **The state of political environment in Hong Kong and Macau may affect our business and financial positions**

Each of Hong Kong and Macau is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong and Macau, respectively. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since our primary operations are substantially located in Hong Kong and Macau, any change of such political arrangements may pose immediate threat on the stability of the economy in Hong Kong and Macau, thereby directly and negatively affecting our results of operations and financial positions.

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

#### **There has been no prior [REDACTED] market for the Shares and the liquidity, market price and [REDACTED] volume of the Shares may be volatile**

Prior to the [REDACTED], there is no [REDACTED] market for the Shares. The [REDACTED] of, and the permission to [REDACTED] in, the Shares on the Stock Exchange do not guarantee the development of an active [REDACTED] market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group’s revenues, earnings and cash flows, acquisitions made by our Group or its competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation, fluctuations in the market prices for our services, materials or labours, the liquidity of the market for the Shares, or the general market sentiment regarding the industry in which we operate could cause the market price and [REDACTED] volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the [REDACTED].

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### **Investors may experience dilution if we issue additional Shares in the future**

Our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue 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, we 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 of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in our 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 our Controlling Shareholders of a substantial number of Shares in the [REDACTED] market could materially and adversely affect the market price of the Shares**

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

### **Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions**

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minorities is set out in Appendix III to this document.

### **Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares**

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

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## RISK FACTORS

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### RISKS RELATING TO THIS DOCUMENT

**Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon.**

Certain facts, statistics, and data presented in the section “Industry overview” and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in this document have been extracted from a market research report commissioned by us and prepared by Ipsos, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, our Company 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 our Group, our 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 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.

**Our Group’s future results could differ materially from those expressed or implied by the forward-looking statements**

Included in this document are various forward-looking statements that are based on various assumptions. Our Group’s 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” in this document.

**Investors should read this entire document carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward looking statement**

Prior to the publication of this document, there may be press or other media, which contains certain information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Bookrunner, the Lead Manager and the Underwriter, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the [REDACTED] has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the

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## RISK FACTORS

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