You should carefully consider all of the information in this [REDACTED] including the risks and uncertainties described below when making an investment in the [REDACTED]. Our business, financial condition and results of operations could be materially and adversely affected by any of the risks and uncertainties described below. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the [REDACTED] could fall significantly and you may lose all or part of your investment.

RISKS RELATING TO THE BUSINESS OF OUR GROUP

Most of our revenue is derived from contracts awarded through competitive tendering. There is no guarantee that our existing contracts may be renewed upon expiry or new contracts may be awarded to us to maintain or expand our business.

Most of our revenue is derived from contracts awarded through competitive tendering and is not recurring in nature. During each of the three years ended 30 June 2014, the percentage of our revenue derived from tender contracts were approximately 98.4%, 99.5% and 98.1% respectively. We are required to submit new tenders upon expiry of existing contracts or to bid for new contracts from time to time. The contract period for building maintenance projects normally lasts for three years whereas the contract period for renovation projects typically ranges from 2 months to 36 months. There is no right of first refusal upon expiry of such contracts and therefore, there is a risk that we may not succeed in tendering for the same customer's services upon the expiry of our service contract. Even if we are able to meet the pre-requisite requirements for tendering, there is no assurance that (i) we would be invited to or are made aware of the tendering process; or (ii) the terms and conditions of the new contracts would be comparable to the existing contracts; or (iii) our tenders would be selected by customers. In the competitive tendering process, we may have to lower our service charges or offer more favorable terms to our customers in order to increase the competitiveness of our tenders, and if we are unable to reduce our costs accordingly and maintain our competitiveness, our results of operations would be adversely affected. Furthermore, so far as our Directors are aware, most of our customers have maintained an evaluation system to ensure that the service providers meet certain standards of management, industrial expertise, financial capability, reputation and regulatory compliance which may change from time to time. There is no assurance that we will meet our customers' tendering requirements in which case we may not be granted the tender and our reputation, business operations, financial condition and results of operations may be adversely affected.

Our historical revenue and profit margin from building maintenance and renovation projects may not be indicative of our future revenue and profit margin.

During each of the three years ended 30 June 2014, we recorded a revenue of approximately HK$602.6 million, HK$601.4 million and HK$600.4 million, respectively. For each of the three financial years ended 30 June 2012, 2013 and 2014, our net profit amounted to approximately HK$20.2 million, HK$23.3 million and HK$46.2 million, respectively, while our net profit margin amounted to approximately 3.3%, 3.9% and 7.7%, respectively. As disclosed above, we cannot guarantee that new businesses could be generated from our existing customers after completion of the current projects. The 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. The profitability of our Group in the future depends on our capability to secure new contracts, the terms of the new contracts and the effectiveness of our cost control measures.

Moreover, the majority of our revenue during the Track Record Period is derived from our projects generally obtained by means of tender. The tender price of our projects is based on our estimated project costs plus a mark-up margin. We have to on one hand maintain the competitiveness of our pricing and on the other hand maximise our profit margin. If we perceive that competition on a particular project which we also submit tender to be keen, we may submit a more competitive tender price with a lower mark-up margin. As such, the lowering of profit margin due to competition may adversely affect our profitability.

Furthermore, we need to estimate the time and costs of maintenance and renovation works in order to determine the tender price. Most of our service contracts with customers have a fixed and pre-determined service fee throughout the contract period without any clear price adjustment mechanisms. Once the tender or quotation is agreed with our customers, we can only adjust our service in certain limited circumstances as stipulated in the contract. For details, please refer to the section headed "Business – Service fees pricing policy, adjustments, payment terms and credit period – Pricing policy, adjustments and cost control" of this [REDACTED]. Accordingly, we have to bear the risk of cost fluctuations. There is no assurance that the costs estimated at the beginning of a contract will not overrun during the course of the contract period. Cost overrun may result from inaccurate estimation of costs, increase in cost of labours and materials, lack of a subcontractor whose cost is within budget, change in the regulatory requirements and the Government's policy, disputes with subcontractors, labour disputes, accidents, adverse weather condition, additional variation of technical specification or customers' requirements and unforeseen problems and circumstances. Changes or disagreements regarding design and choice of materials may occur in a project. Any of these may also give rise to delays in completion of works or even unilateral termination of contracts by our customers due to unsatisfactory performance.

As a result, our profitability will be adversely affected if profit margin of our projects is lowered due to competition or if we are unable to control our costs within our estimates or recover the extra costs of additional site works arising from such uncertainties from our customers. Due to the above uncertainties, the profit margins and revenue generated from our Group's building maintenance and renovation projects may fluctuate drastically from project to project and the historical revenue of our Group may not be indicative of our future revenue.

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

As a main contractor, we normally incur net cash outflows as we are required to pay the set-up expenditures, costs for procurement of materials and equipment and in exceptional circumstances, advance payment to our sub-contractors for payment of wages and/or necessary materials and equipment in advance of payments from our customers at the early stage of carrying out our works. Our customers pay progress payments after our works are progressing and such works progress and progress payments are certified by our customers on a monthly basis. 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. If we take up too many significant projects, which require substantial initial setting up costs without sufficient cash inflow from other projects or other suitable sources of funds at a particular point of time, our corresponding cash flow position may be adversely affected.

A significant percentage of our revenue and trade receivables is derived from our major customers.

For the three financial years ended 30 June 2014, our top five customers accounted for approximately 98.1%, 98.4% and 95.7% of our total revenue, respectively while our largest customer, being the Housing Authority, accounted for approximately 61.7%, 60.1% and 60.8% of our total revenue, respectively. As at 30 June 2012, 2013 and 2014, 68.4%, 66.9% and 56.8% of our Group's total trade receivables was due from our Group's largest customer while 96.8%, 98.1% and 95.0% of the total trade receivables was due from our Group's five largest customers respectively. Our major customers during the Track Record Period include the Government, other public customers and private customers. There is no assurance that our top five customers will maintain the current business relationship with us upon the expiry of our existing service contracts. If they choose not to do so or if they significantly reduce the level of services required from us, we may not be able to find other customers in a timely manner or at all to utilise our service capacity. As a result, our business operations, financial results and profitability will be adversely affected. Further, we expect that the Housing Authority will continue to be our largest customer in the near future. Therefore, any decrease or delay in the level of spending from such customers in the industry where we operate would have an adverse impact on our business operations, financial condition and results of operations. There is no assurance that we can diversify the composition of our customer base to include more private sector customers to replace any such loss of revenue generated from the public sector.

Our Group is relying on certain principal subcontractors to implement our main contracts.

As much of the works undertaken by our Group is delegated to subcontractors, timely completion of projects depends on, to a great extent, the due and timely performance of our subcontractors. During the three financial years ended 30 June 2014, our Group's largest subcontractor accounted for approximately 26.1%, 18.8% and 26.3% of our Group's total cost of services and our Group's five largest subcontractors accounted for approximately 75.2%, 61.8% and 61.4% of our Group's total cost of services, respectively. There is no assurance that those major subcontractors will be able to continue to provide services to our Group at fees acceptable to us or we can maintain our relationship with them in the future. In the event that any of the major subcontractors is unable to provide the required services to us or the costs for them to provide those required services increase substantially, our Group's business, results of operations, profitability and liquidity may be adversely affected. Besides, suitable subcontractors may not always be readily available. If we are unable to hire qualified subcontractors, our ability to complete projects could be impaired. If our major subcontractor's performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and potentially expose us to litigation and damages claims.

We may take responsibilities for the sub-standard performance or non-performance of such subcontractors.

Our subcontractors are subject to our management and supervision. For details of such management and supervision, please refer to the section headed "Business – Subcontracting Arrangements – Control over subcontractors" of this [REDACTED]. We may not be able to monitor the performance of these subcontractors as directly and efficiently as we supervise our own staff. Outsourcing exposes us to risks associated with non-performance, delayed performance or sub-standard performance by subcontractors. As a result, we may experience deterioration in the quality or delivery of our building maintenance and renovation works, incur additional costs due to delays or at a higher price in sourcing the services, equipment or supplies, or be subject to liability under the relevant contract for any default caused by our subcontractors. Such events could impact upon our reputation, financial condition and results of operations, and result in litigation or damages claims.

If our subcontractors violate any laws, rules or regulations in relation to occupational health and safety matters, we may expose ourselves as a main contractor to prosecutions by relevant authorities, and also be liable to claims for losses and damages if such violations cause any personal injuries/death or damage to properties. In the event that there is any such violation, whether substantial or minor in nature, of any laws, rules or regulations, occurring in the sites for which we are responsible, our operations and hence our financial condition will be adversely affected.

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 defects liability period.

We normally receive progress payment from our customers on a monthly basis, with reference to the value of the works we have performed. Generally, the value of the works performed is assessed by our customers or their representatives who will certify our work progress in the preceding month. For some of our contracts, 5% to 10% of the value of our works performed (subject to a cap not exceeding 5% of the total contract value) is held by our customers as the retention money which is released to us upon expiry of the defects liability and maintenance period after completion of the contracts. Please refer to the section headed "Business – Service fees pricing policy, adjustments, payment terms and credit period – Payment terms and credit period" of this [REDACTED] for further details. As at 30

June 2012, 2013 and 2014, the amount of retention money receivables amounted to HK$12.1 million, HK$16.8 million and HK$14.0 million, respectively. There can be no assurance that progress payment is paid to us on time and in full, or the retention money or any future retention money will be released by our customers to us on a timely basis and in full. Any failure by our customers to make remittance on time and in full may have an adverse effect on our future liquidity position.

We are exposed to litigation claims relating to personal injuries.

Employees (including our employees and subcontractors' employees) who suffer bodily injury or death as a result of accidents or contracting diseases arising out of and in the course of their employment are entitled to claim damages against us as the main contractor under the Employees' Compensation Ordinance as well as under the common law. We may also face claims from third parties from time to time, including those who suffer personal injuries at premises where we provide services.

Although we have closely monitored and supervised our subcontractors in implementation of all such safety measure and procedures during executions of works, we cannot guarantee that there will not be any violations of rules, law or regulations by the subcontractors. In the event that our subcontractors fail to implement safety measures on our work sites, it may lead to occurrence of personal injuries, property damage or fatal accidents, which may adversely affect the financial condition of our Group to the extent not covered by our insurance policy and may affect the renewal of our licences.

During the Track Record Period and up to the Latest Practicable Date, our Group had settled an aggregate of 19 employees' compensation cases and personal injury claims which were fully covered by insurance and subcontractors' indemnity. As at the Latest Practicable Date, there were seven on-going cases against our Group, of which three cases are employees' compensation cases; three cases are personal injury cases and one case relates to property damage claim. For details of the litigations and potential claims to which we are subject during the Track Record Period, please refer to the section headed "Business – Litigation and potential claims" of this [REDACTED].

Although we have taken out insurance policies to cover these potential claims (details of our insurance policies are set out in the section headed "Business – Insurance" of this [REDACTED]), the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitrating authorities, and the result of any of the outstanding claims may be unfavourable to us. Such claims may fall outside the scope and/ or limit of our insurance coverage. There is no assurance that our insurance policies will fully cover us for future events and if we have to pay out of our own resources for any uninsured claims, our financial results may be materially and adversely affected. Furthermore, regardless of the insurance coverage or the merits of our case, we may need to spend resources and incur costs to handle these claims, which may affect our reputation in the building maintenance and renovation contracting service industry and therefore adversely affect our business operations, financial results and profitability.

Breaches of the Predecessor Companies Ordinance and the Companies Ordinance.

We have breached certain sections of the Predecessor Companies Ordinance and the Companies Ordinance, details of which are set out in the section headed "Business – Legal and regulatory compliance – Non-compliance of the Predecessor Companies Ordinance and the Companies Ordinance" of this [REDACTED]. If the Registrar of Companies in Hong Kong takes action against the relevant subsidiary of our Group and/or if our Controlling Shareholders fail to indemnify us fully, we may be required to pay certain penalties. In these circumstances, if we are required to make significant penalty payments or incur other liabilities, our reputation, cash flow and results of operations may be adversely affected.

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

Our Group's business is project-based. Fee collection and profit margin significantly depend on various factors, such as the proposed expenditure of the customers, the terms of the works orders and contracts, the length of the contract period, the efficiency of implementation of the works orders or contract and the general market conditions. As a result, 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 can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by our Group, and the profit margin and time for profit recognition depend on the terms of the works orders and contracts and may also not be regular. In relation to the revenue of our building maintenance and renovation contracts, income is recognised based on management's estimation of the value of each works order and contracts. Thereafter, customers would undertake detailed assessment of all completed works orders and contracts and such actual value of completed works orders and contracts assessed by the customers may be higher or lower than our management's estimation. The actual outcome of the contract in terms of our total revenue and costs may be higher or lower than our management's estimation. As such, we face a risk of having a material adjustment to the carrying amounts of assets and liabilities within the next financial year, our revenue, cost of services, profit margin, results of operations and cash flows will be affected accordingly.

Loss of key management or the ability to attract and retain suitable staff for our operations may materially affect our operations.

Our success is, to a significant extent, attributable to the leadership and contributions of our management team members as described in the section headed "Directors, senior management and staff" of this [REDACTED]. Our continued success is dependent to a large extent on our ability to retain the services of our management team. Any unanticipated departure of members of our management team without appropriate replacement found may have a material adverse impact on our business operations and profitability. Furthermore, we may be affected by a shortage of skilled staff in the construction industry and/or any changes in labour costs due to increased wages. Furthermore, if our employee turnover rate increases in the future, it will have an adverse impact on our business operations.

Safety measures may not be strictly complied with by our employees or our subcontractors' employees.

Our employees or subcontractors' employees may be required to undertake certain tasks including but not limited to working at height or on slippery floors, operation of heavy machinery and electrical appliances, lifting of heavy objects, use of corrosive and inflammable chemicals, working in environments containing dust, dirt, viruses or bacteria and working in new and unfamiliar environments. We cannot guarantee that our employees or employees of our subcontractors will fully comply with our safety measures, and if they do not, there may be heightened incidents of personal injuries, property damage or fatal accidents. This may adversely affect our ability to obtain new contracts by tendering process, our reputation and business operation.

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

Our contracts are normally subject to specific completion schedule requirements with liquidated damages charged to our Group if our Group does not 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 works 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 prospect.

We have contingent liabilities involving uncertainty as to possible loss to our Group.

For some of the contracts with private sector customers, we are required to provide performance bonds that range from 5% to 10% of the total contract sums issued by banks in favour of the customers as security for the due performance and observance of our Group's obligations under the service contracts entered into between our Group and our private customers. As at 30 June 2012, 2013 and 2014, performance bonds issued by banks to our customers amounted to approximately HK$15.4 million, HK$10.3 million and HK$6.9 million, respectively. If our Group fails to perform its obligations to the satisfaction of our customers that leads to a breach of contract to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. Our Group will then become liable to compensate such banks accordingly and our business, financial condition and results of operations will be adversely affected.

Contracts which were not entered in compliance with the requirements under the Building Management Ordinance requirements may be avoided and our Group's revenue stream and profitability would be adversely affected.

Pursuant to section 20A(2) of the Building Management Ordinance (Chapter 344 of the Laws of Hong Kong), the procurement of "relevant supplies, goods or services" for the management of a building must be made by invitation to tender if the value of the relevant supplies, goods or services exceeds or is likely to exceed HK$200,000 or 20% of the annual budget of the building owners' corporation (whichever is the lesser). Procurement for building maintenance and renovation services falls within the scope of "relevant services" for purposes of the Building Management Ordinance. Subject to order made by the Hong Kong court, any service contracts which are not entered into in strict compliance with the requirements under section 20A(2) of the Building Management Ordinance may be avoided, set aside or cancelled by the building owners' corporation by passing a resolution of the owners at a general meeting of the building owners' corporation. There is no assurance that our customers will act in strict compliance with the requirements under section 20A(2) of the Building Management Ordinance. If the service contracts were avoided by the building owners by virtue of the Building Management Ordinance, our Group's revenue stream and 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 Group's projects are undertaken outdoor. Our operations may be interrupted or otherwise affected by adverse weather conditions such as rainstorms, tropical cyclones and continuous rain which may cause difficulties to our Group in completing our projects on schedule. If there is delay in the work of our private sector projects due to the adverse weather conditions, we may have to subsequently accelerate our work progress in order to catch up to meet the scheduled time for completion unless our customers agree to grant extension of time for completion of projects on the ground of adverse weather conditions. Any delay in completion of the projects will lead to liquidated damages payable by us and will adversely affect our operating results. The acceleration works will inevitably incur additional costs. In addition, we are 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 works site.

Our labour may launch industrial action or strikes to demand higher wages and shorter working hours.

Construction works are usually divided into various different trades. Each trade requires highly specialised labour of its own and cannot be easily replaced by labour of another trade. As such, industrial action of any one trade will disrupt our construction progress. There is no assurance that trade unions will not launch any further industrial actions or strikes to ask for higher wages or shorter working hours. If we meet their demand, we will incur additional labour costs which would in turn adversely affect our profitability, and if not, the completion of our projects may be delayed and our customers may claim against us for breach of contract. In either case, these industrial actions or strikes may have adverse impact on our profitability and results of operations.

We may be affected by possible increase in insurance costs and reduction of insurance coverage by our insurers and certain risks involved in our business operation are generally not insured.

We have taken out insurance policies as required by Hong Kong law or our customers to cover our business operations. For the three financial years ended 30 June 2014, the aggregate expenses of our insurances were approximately HK$2.9 million, HK$5.4 million and HK$4.9 million, respectively. Our insurance policies may not cover all our risks or payments and our insurers may not fully compensate us for all potential losses, damages or liabilities relating to our properties or our business operations. We cannot control if there are reduction or limitation of insurance coverage by insurers upon the expiry of our current policies. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our business operations and financial results. Further, there are certain types of losses for which insurance coverage is not generally available (such as losses suffered caused by substandard performance of our subcontractors) on commercial terms acceptable to us, or at all. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance cover, we have to bear such losses, damages or liabilities by ourselves. In such a case, our business operations, financial condition and results of operations may be adversely affected.

There is no assurance that we are able to maintain our eligibility to tender public works of the Government.

We are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management and safety are maintained by contractors carrying out Government works. In the event of, for example, a contractor's unsatisfactory performance or its failure to submit accounts or meet the financial criteria in accordance with the rules prescribed by the Building Authority and the Housing Authority from time to time, the Building Authority and the Housing Authority will have the right to remove any contractor from the list or take other regulatory action against a contractor such as suspension, or where applicable, downgrading or demotion to a lower group, in respect of all or any of the works categories it is in. In the event that any of our registrations with the Building Authority and the Housing Authority is not renewed or is removed from or suspended in the list or downgraded or demoted to a lower group, our Group's operations may be adversely affected. Furthermore, if our Group is convicted of a series of safety or environmental offences within a short period of time in a project, 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 us 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 our Group's licences, approvals or qualifications in any work category, the business, the prospects and operation of our Group could be adversely affected.

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

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.

RISKS RELATING TO OUR INDUSTRY

We face keen competition.

There are a large number of qualified building maintenance and renovation contracting service providers in Hong Kong. In Hong Kong, building maintenance and renovation contracting service providers must be licensed to be registered general building contractors under the Buildings Ordinance and 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 about 295 qualified building maintenance and renovation contracting service providers in Hong Kong in 2013, compared to 255 in 2009. Due to the large number of competitors, we may face significant downward pricing pressure thereby reducing our profit margins. Furthermore, if we do not provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our profitability may be materially and adversely affected.

The construction industry, including the building maintenance and renovation industry, in Hong Kong has been facing the issue of labour shortage.

According to the Ipsos Report, the construction industry, including the building maintenance and renovation contracting services industry, in Hong Kong has been facing the issue of labour shortage due to insufficient number of workers entering the industry. According to the Ipsos Report, the declining number of young people entering the construction market, coupled with the large-scale construction projects going on in Hong Kong and Macau have raised the demand for construction workers and raised the labour costs in the region. The huge demand for construction workers will induce an insufficient supply of skilled and experienced building maintenance and renovation contracting service workers, especially when current skilled and experienced workers retire. This many threaten the development of the building maintenance and renovation contracting service industry in Hong Kong. If our Group and/or our subcontractors are unable to recruit or retain sufficient workers or fails to effectively manage our staff costs as a result of shortage of local labour supply, or if the labour costs of our subcontractors eventually pass to us, our business operations and financial performance may be materially and adversely affected.

Increases in labour costs may adversely affect our profitability.

Our business operations are labour intensive and due to the locality of our customers, all of our employees are employed in Hong Kong. Our operations in Hong Kong are required to comply with the statutory minimum wage requirements, which came into force on 1 May 2011 with the initial statutory minimum wage rate of HK$28 per hour. From 1 May 2013 up to the Latest Practicable Date, the statutory minimum wage rose to HK$30 per hour. Furthermore, as confirmed by our Directors, the prevailing market rate for workers in the construction industry are well above the current minimum statutory wage level. There is no assurance that the statutory minimum wage rate will not be further revised upward in the future. Furthermore, according to the Ipsos Report, the average daily wage for workers for building maintenance and renovation works in Hong Kong increased from about HK$812.2

in 2009 to HK$998.7 in 2013, at a CAGR of 5.3% mainly due to manpower shortage in the Hong Kong construction industry. Our labour costs may increase generally due to factors such as the continued expansion of our workforce and our Group's cost of services may increase thereby reducing our profit margin.

Increasing operation costs may affect our profit margin and our operation and financial position may be adversely affected.

According to the Ipsos Report, the costs of major building materials, such as cement and concrete blocks, have increased at a CAGR of about 4.2% and 5.1%, respectively from 2009 to 2013. The increasing trend of the costs of building materials is due to inflation and the appreciation of the Renminbi as most of the construction materials in Hong Kong are imported from the PRC. Inflation, coupled with an increase in material prices and wages, are expected to increase the total operation costs for building maintenance and renovation contracting service providers in Hong Kong over the next few years. As such, the overall profit margin of our Group's projects will be adversely affected and our operation and financial position may be adversely affected if we are unable to control our operating costs within our estimates.

Our performance is dependent on market conditions and trends in the building maintenance and renovation contracting service industry and in the overall economy which may change adversely.

All our operations and management are currently located in Hong Kong. The future growth and level of profitability of the building maintenance and renovation contracting service industry in Hong Kong are likely to depend primarily upon the continued availability of major building maintenance and renovation projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Government's spending patterns on the building maintenance and renovation contracting service industry in Hong Kong and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of building maintenance and renovation projects from the public sector, private sector or institutional bodies.

Apart from the public spending of the Government, there are numerous factors affecting the building maintenance and renovation contracting service industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or should the demand for building maintenance and renovation works in Hong Kong deteriorate, our operations and profits 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 a number of environmental protection laws, regulations and requirements in Hong Kong. In the event that 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 have an adverse effect on the operations and financial condition of our Group. In addition, there is no assurance that the environmental protection laws, regulations and requirements will not be changed in the future. Should there be any change to the environmental protection laws, regulations and requirements applicable to our Group, our Group may incur additional cost in complying 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 Track Record Period, approximately 89.1%, 79.5% and 84.4% of our Group's revenue was generated from provision of services to the Government and other public customers. Public works projects are non-recurring in nature, and thus the level of Government's spending budget may change from year to year. Accordingly, any change or significant delay in the level of spending on public works by the Government and other public customers may affect the business and operation results of our Group. In the event that Government and other public customers reduce 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.

The global financial crisis had negative repercussions on the global economy.

The global financial crisis in 2008 caused substantial volatility in the capital markets and a downturn in the global market. Demand for our building maintenance and renovation works services may decrease if the level of such services in the market is affected by these changing market conditions, which may adversely impact cash flow generated from our operations. The recent European sovereign debt crisis has aroused concerns about the rising cost of financing government debt. Furthermore, the availability of credit to entities, such as ourselves, is influenced by levels of investor confidence in the markets we operated in as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within any of these markets. These challenging market conditions have resulted in reduced liquidity, widening of credit spreads, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If another economic downturn occurs or there are prolonged disruptions to the credit markets in the future, this could limit our ability to borrow funds from our current or other funding sources or cause the continued access to funds to become more expensive, and our business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and our results of operations, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may affect our Group.

Our performance and financial condition is heavily dependent on the state of economy in Hong Kong as our revenue is solely attributable to the Hong Kong market. In the event that there is a downturn in the economy of Hong Kong, our results of operations and financial position may be severely affected.

The state of political environment in Hong Kong may affect our Group.

Hong Kong 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. 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 located in Hong Kong, any change of such political arrangements may post immediate threat on the stability of the economy in Hong Kong, thereby directly and negatively affecting our results of operations and financial positions.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

The Underwriting Agreements may be terminated.

Prospective investors should note that the Lead Manager (for itself and on behalf of the Underwriters) is entitled to terminate its obligations under the Underwriting Agreements by giving notice in writing to us upon the occurrence of any of the events set out in the section headed "Underwriting – Underwriting arrangements and expenses – [REDACTED] Underwriting Agreement – Grounds for termination" of this [REDACTED] at any time prior to 8:00 a.m. on the Listing Date. Such event may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, fire, flood, explosions, acts of terrorism, earthquakes, strikes or lock-outs.

Our Controlling Shareholders may continue to be able to exercise substantial influence over our business following the [REDACTED] and their interests may conflict with the interests of our other Shareholders.

Immediately after the [REDACTED], our Controlling Shareholders will control [REDACTED] of the Shares. While our Company has entered into a deed of non-competition with each of our Controlling Shareholders to ensure that we are capable of carrying on our business independently of our Controlling Shareholders, by virtue of the level of the shareholding, our Controlling Shareholders may be able to influence certain matters requiring approval of our Shareholders, such as the election of Directors and the approval of certain business decisions. There could also be a conflict between the interests of our Controlling Shareholders and the interest of our Company's other Shareholders with respect to decisions such as dividends. They will also have veto power with respect to any Shareholder action or approval requiring a majority vote. They may take actions that you may not agree with or that are not in the best interest of our public Shareholders. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control, discouraging bids for our Shares at a premium over the market price, or adversely affecting the market price of our Shares.

The liquidity and market price of our Shares following the [REDACTED] may be volatile.

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenues, earnings and cash flow and announcements of new investments, strategic alliances and/or acquisitions or fluctuations in prices of our services could cause the market price and/or trading volume of our Shares to change substantially. Any such developments may result in large and sudden change in the volume and price at which our Shares will trade. It is likely that from time to time, our Shares will be subject to changes in price and/or trading volume that may not be directly related to our financial or business performance.

Future sales by our current Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

Future sales of a substantial number of our Shares by our current Shareholders could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up undertakings after the Listing, details of which are set forth in the section headed "Underwriting – Underwriting arrangements and expenses – Undertaking to the Stock Exchange pursuant to the Listing Rules" of this [REDACTED]. While we are not aware of any intentions of our Controlling Shareholders to dispose of significant amounts of their Shares after the expiration of the lock-up periods, we are not in a position to give any assurance that they will not dispose of any Shares they may own now or in the future.

You may experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of our Shares is higher than the net tangible assets per Share immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] will experience an immediate and substantial dilution in the unaudited pro forma adjusted combined net tangible assets to approximately HK$[REDACTED] per Share, which is calculated based on the maximum [REDACTED] of HK$[REDACTED] per Share. If we issue additional Shares in the future such as pursuant to the exercise of share options granted under the Share Option Scheme, purchasers of our Shares may experience further dilution in their ownership percentage. In addition, we may consider offering and issuing additional Shares in the future for expansion of our business or to the extent that our ordinary Shares are issued upon the exercise of Share options. In this regard, you may experience further dilution in the net tangible assets per Share if we issue additional Shares in the future at a price which is lower than the net tangible assets per Share.

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the [REDACTED], there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Lead Manager (for itself and on behalf of the Bookrunner and the Underwriters), and the [REDACTED] may differ significantly from the market price for our Shares following the [REDACTED]. We expect our Shares to be listed on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the [REDACTED] or that the market price of our Shares will not decline following the [REDACTED]. Furthermore, the price and trading volume of our Shares may be volatile.

The following factors could cause the market price of our Shares following the [REDACTED] to vary significantly from the [REDACTED]:

– variation in our turnover, earnings and cash flow;

– liability claims brought against us based on, for example, defective products or safety-related regulatory actions;

– interruptions to our distribution arrangements;

– our failure to execute our strategy;

– any unexpected business interruptions resulting from operational breakdowns or natural disasters;

– inadequate protection of our intellectual property or legal proceedings brought against us for infringement of third parties' intellectual property rights;

– any major changes in our key personnel or senior management;

– our inability to obtain or maintain regulatory approval for our products; and

– political, economic, financial and social developments.

Granting options under the Share Option Scheme may affect our Group's result of operation and dilute Shareholders' percentage of ownership.

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. Issuance 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 issuance 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 "Share Option Scheme" in Appendix IV in this [REDACTED].

Dividends declared in the past may not be indicative of the dividend policy in future.

Sing Fat Construction has declared dividends of HK$1.4 million, HK$1.4 million and HK$82.4 million, respectively during the Track Record Period, and we have declared a dividend of HK$[60] million to our then shareholders on [●] November 2014. The dividend distribution record during the Track Record Period may not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Company to the Shareholders in future after Listing.

There is no assurance that our Group will declare dividends in amount similar to or exceeding historical dividends declared. The declaration, payment and amount of any future dividends are subject to the discretion of the Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors.

The market price of our Shares when trading begins could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The [REDACTED] will be determined on the Price Determination Date. However, the [REDACTED] will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth business day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the [REDACTED] during that period. Accordingly, holders of the [REDACTED] are subject to the risk that the price of the [REDACTED] when trading begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

RISKS RELATING TO STATEMENTS MADE IN THIS [REDACTED]

There can be no guarantee as to the accuracy of facts and other statistics contained in this [REDACTED] with respect to the economies and the industry in which we operate.

Certain facts and other statistics in this [REDACTED] are derived from various sources including the Ipsos Report and various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We 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. Whilst our Directors have taken all reasonable care in the reproduction of the information, they have not been prepared or independently verified by us, the Sponsor, the Bookrunner, the Lead Manager, the Underwriters or any of their respective directors, affiliates or advisers. Therefore we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics referred to or contained in this [REDACTED] may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Investors should read this entire [REDACTED] 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 [REDACTED], there may be press or other media, which contains certain information referring to us and the [REDACTED] that is not set out in this [REDACTED]. We wish to emphasise to potential investors that neither we nor any of the Sponsor, the Bookrunner, the Lead Manager and the Underwriters, our 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 accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this [REDACTED] or is inconsistent or conflicts with the information contained in this [REDACTED], we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, you should rely solely upon the information in this [REDACTED] in making your investment decisions regarding our Shares but note that undue reliance should not be placed on any forward looking statements contained in this [REDACTED] which may not occur in the way we expect or may not materialise at all as set out in the section headed "Forward-looking statements" of this [REDACTED].