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Web Proof Information Pack of



Excel Development (Holdings) Limited

怡益控股有限公司

(Incorporated in the Cayman Islands with limited liability)

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YOU SHOULD READ THE SECTION HEADED “WARNING” ON THE COVER OF THIS WEB PROOF INFORMATION PACK

SUMMARY

OVERVIEW

We are principally engaged in construction business in Hong Kong as a main contractor. With an operating history of over 37 years, we have been providing civil engineering construction services to the public and private sectors in Hong Kong which is our core business. We have been particularly active in waterworks projects. As a member of the Vantage Group, we have also undertaken two private residential building construction projects since four years ago. This is mainly due to the corporate strategy of the Vantage Group regarding diversification of risks, and establishing track records on different nature of construction projects, among its member companies. We sub-contracted the two projects to the Retained Vantage Group as it possesses more expertise and technical experience on building construction projects than us. One of the projects was completed in March 2011 while the remaining one, being TW7 Project, is expected to complete by mid-2014. We have also been undertaking certain building maintenance projects of relatively minor scale and value during the Track Record Period.

To ensure clear delineation of business activities between our Group and the Retained Vantage Group, we shall cease all building construction and maintenance business upon completion of TW7 Project, which is expected to be completed in mid-2014 and accounted for approximately 55.1%, 30.9%, 53.3% and 66.5% of our Group’s revenue for the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. During the same period, our building construction and maintenance business accounted for approximately 0%, 5.2%, 9.3% and 18.7% respectively of our Group’s gross profits. In comparison, our civil engineering construction business accounted for approximately 44.9%, 69.1%, 46.7% and 33.5% of our Group’s revenue and approximately 100.0%, 94.8%, 90.7% and 81.3% of our Group’s gross profits for the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. During the Track Record Period, we achieved a generally higher gross profit margin for our core civil engineering construction business, as compared to that achieved for our building construction and maintenance business.

We are an approved contractor for carrying out public works under the lists of approved contractors maintained by WBDB and Hong Kong Housing Authority, as well as a registered contractor under Buildings Department and Electrical and Mechanical Services Department. For details, please refer to the sections headed “Regulatory Overview” and “Business — Legal and Regulatory Compliance” on pages 77 to 80 and 142 to 144 respectively.

With a team of experienced management and qualified professionals with many years of experience in the civil engineering construction industry, a systematic tender review procedure, and our quality management system, environmental management system and occupational health and safety management system that were accredited with ISO 9001, ISO 14001 and OHSAS 18001 certifications respectively, we believe we have established a strong reputation in civil engineering waterworks in Hong Kong. Over the years, we have completed major civil engineering construction works and have been able to secure contracts as main contractor for the construction and maintenance of various waterworks infrastructure. Further, we have also undertaken various utilities civil engineering works for HKT Group since 1983.

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OUR BUSINESSES

We offer construction services that encompass procurement of materials and equipment, selection of sub-contractors to on-site supervision, work progress monitoring and overall coordination of day-to-day work of projects. Our civil engineering construction services are mainly applied to (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works, for the public and private sectors in Hong Kong. Our building construction services are applied to carcass works for private residential development in Hong Kong. To a lesser extent, we are also engaged in building repairs and maintenance works.

Civil engineering construction works

Waterworks

Waterworks include construction and maintenance of water mains, service reservoirs, pumping stations, water tanks, treatment works, watercourses for distribution systems and other related construction works.

Roads and drainage works

Road works include construction of road interchange, carriageway and walkway, footbridge and traffic link bridge, road improvement and widening works, etc., while drainage works include flood prevention works, construction drainage channel, outfall pipe, box culvert and pumping station, etc.

Landslip preventive and remedial works to slopes and retaining walls

Landslip preventive and remedial works to slope involve slope stabilisation and upgrading works which include engineering inspection, retaining wall construction, cut and fill slope, soil nailing, surface drainage construction, slope surface treatment with high pressure grouting and spraying, landscaping, etc.

Utilities civil engineering works

Utilities civil engineering works include trench work for cables and ducts laying, construction of jointing chambers and associated facilities for telecommunication and electrical cable networks.

Building construction and maintenance works

Our Group provides building construction services which are applied to carcass works for private residential development and building repairs and maintenance services. During our whole history of operation, we have only undertaken two private residential building construction projects since four years ago. Before considering the [•], as a member of the Vantage Group, we were executing the overall strategy of Vantage in the establishment of

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our track record in building construction projects. The advantages of our historical arrangement to take up some building construction projects included enhancing our job reference and profile which was considered beneficial to us in increasing the opportunity in being awarded future tenders for building construction projects.

Given the fact that typical building construction projects have higher contract sums than civil engineering and waterworks projects, during the Track Record Period, the contribution from building construction and maintenance works accounted for approximately 55.1%, 30.9%, 53.3% and 66.5% of our Group’s total revenue respectively. The substantial contribution to revenue from building construction projects and from projects related to R&R Programme during the Track Record Period are matters of strategy and resource allocation for us. Indeed, the contribution of building construction projects to our gross profit during the Track Record Period was relatively insignificant. As a matter of fact and as discussed in more detail in the “Industry Overview” section in this document, there has been steady demand for civil engineering and waterworks in Hong Kong over the years. Apart from R&R Programme which has increased the needs for waterworks over the past few years, the continuing government spending in infrastructure and transportation sectors is expected to sustain growing demand for civil engineering works. Approximately HK\$939 million or approximately 31% of our Group’s total revenue during the Track Record Period was generated from projects relating to R&R Programme. On the basis of the constant need for enhancing water services and its infrastructure and that a new replacement and rehabilitation programme of water mains is being planned by WSD for implementation after the current R&R Programme is completed, our Directors are optimistic about the future demand for waterworks after the expected completion of R&R Programme in 2015. Our Group has solid track record in civil engineering and waterworks through our 37 years of operating history in Hong Kong, well before R&R Programme commenced in 2000.

After the [•], our Group will continue to focus on civil engineering construction business which is our core business and shall cease to engage in building construction and maintenance works except for TW7 Project which is expected to complete by mid-2014. However, our Group has managed to grow our principal business of civil engineering construction in its 37-years’ track record and was able to generate the majority of our profit from our civil engineering construction business during the Track Record Period. In that regard, our Directors believe that our Group will be able to continue sustainable business development by focusing on our civil engineering construction business after the [•].

CUSTOMERS AND OUR PROJECTS

Our customers include various departments of the Government such as WSD, Drainage Services Department and Highways Department as well as certain public utilities companies and non-governmental and private organisations in Hong Kong.

We completed a total of 9 projects during the Track Record Period. 8 of such projects were civil engineering construction projects while the remaining one was a building construction project, namely MOS Project. As of 31 July 2013, we had 13 significant projects in progress, including 5 projects in the public sector and 8 projects in the private sector, the largest of which by contract sum was a building construction project, namely

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TW7 Project. All such significant projects in progress, except TW7 Project, are civil engineering construction projects. The total contract sum of our projects in progress was approximately HK\$3,885 million as at 31 July 2013, of which the contract sum of our building construction project was approximately HK\$1,605 million and the contract sum of our civil engineering projects was approximately HK\$2,280 million.

The total amount not yet been recognised as revenue as at 31 July 2013 was approximately HK\$1,703 million, of which the amount not yet been recognised as revenue from building construction project was approximately HK\$494 million and the amount not yet been recognised as revenue from civil engineering projects was approximately HK\$1,209 million.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths:

- Established operating history and track record in civil engineering construction projects
- Well-positioned to capture the emerging business opportunities
- Consistent delivery of high quality services through stringent quality assurance and strong commitment to high safety standard and environmental impact control
- Systematic and effective tender review procedure
- Long-standing relationship with sub-contractors
- Experienced management team

OUR BUSINESS STRATEGIES

Our business objectives are to achieve sustainable business growth and to create long-term shareholder’s value. We aim to accomplish this through the following strategies:

- Strengthen our Group’s growth in civil engineering construction businesses
- Further enhancement in work quality and project safety
- Maintain a disciplined financial strategy
- Attract, motivate and develop talented and experienced staff

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SUPPLIERS

We act as main contractor and delegate parts of the construction works to our sub-contractors and will purchase certain construction materials and equipment for the use of our sub-contractors. The relevant costs of the materials and equipment will be deducted accordingly from the sub-contracting fees in accordance with the relevant sub-contracting agreements.

Our Group’s five largest suppliers, being our sub-contractors, together accounted for approximately 96.2%, 95.0%, 98.9% and 99.4%, respectively, of our total cost of subcontracting fees charged to our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively. During the same period, our Group’s largest sub-contractor accounted for approximately 62.7%, 34.0%, 54.9% and 69.6% of the total sub-contracting fees charged to our Group respectively.

Able Contractors, which is a connected person of our Company by virtue of it being a wholly-owned subsidiary of Vantage, is our largest sub-contractor for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. It is also the only building construction sub-contractor of our Group and will continue to undertake sub-contracting works from us in respect of TW7 Project after [•]. For further details of the existing sub-contracting arrangement with Able Contractors, please refer to the “Connected Transaction — Non-exempt continuing connected transaction” section on pages 151 to 155 in this document.

The principal construction materials that are used by our sub-contractors for undertaking our civil engineering and building construction works include pipes and fittings, concrete and steel. During the Track Record Period, the largest material supplier which we purchased materials for the use of our sub-contractors accounted for approximately 29.1%, 26.2%, 36.8% and 38.5% of our Group’s cost of construction materials purchased for the use of our sub-contractors for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively.

COMPETITION

Since we shall cease our building construction and maintenance business upon completion of TW7 Project, we consider the companies engaged in civil engineering construction works in Hong Kong that have been approved by WBDB as Group C contractors under the “Waterworks” category to be our major competitors in the provision of civil engineering construction works. According to WBDB, there were a total of [36] approved contractors listed on the list of approved contractors under the categories of “Waterworks” for Group C as at the Latest Practicable Date. Approved contractors under other categories may also be our competitors depending on project nature.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS AND THE [•]

Immediately after the completion of the [•] and assuming the [•] is not exercised, Vantage will, through its wholly-owned subsidiary, Profit Chain, own [•]% of our enlarged issued share capital. Mr. Ngai is beneficially interested in approximately [•]% equity of the issued capital of Vantage. Vantage and Mr. Ngai will continue to be our Controlling

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Shareholders. As of the Latest Practicable Date, apart from the shareholding interests in our Group, Vantage does not own any shareholding interests in any other company which carries on a business that competes with the civil engineering construction business of our Group.

For further information, please refer to the section headed “Relationship with Controlling Shareholders” on pages 157 to 167 in this document.

SUMMARY FINANCIAL INFORMATION

The following tables present a summary of our financial information during the Track Record Period and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this document, including the notes thereto.

Highlight of our combined statements of comprehensive income

The table below sets out an extract of our combined statements of comprehensive income during the Track Record Period, which is derived from the Accountants’ Report as set out in Appendix I to this document:

	Year ended 31 March			Four months ended 31 July	
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
				(Unaudited)	
Revenue	673,168	690,043	984,296	326,719	653,993
Contract costs	<u>(627,650)</u>	<u>(641,086)</u>	<u>(928,785)</u>	<u>(313,999)</u>	<u>(629,611)</u>
Gross profit	45,518	48,957	55,511	12,720	24,382
Other income and gains	2,606	3,607	16,973	5,484	3,283
Administrative expenses	(18,264)	(18,839)	(22,678)	(6,202)	(11,248)
Finance costs	<u>—</u>	<u>(33)</u>	<u>(1,865)</u>	<u>(337)</u>	<u>(196)</u>
Profit before tax	29,860	33,692	47,941	11,665	16,221
Income tax expense	<u>(4,898)</u>	<u>(5,522)</u>	<u>(7,875)</u>	<u>(1,904)</u>	<u>(3,518)</u>
Profit and total comprehensive income for the year/period	<u>24,962</u>	<u>28,170</u>	<u>40,066</u>	<u>9,761</u>	<u>12,703</u>
Profit and total comprehensive income attributable to owners of the parent	<u>24,962</u>	<u>28,170</u>	<u>40,066</u>	<u>9,761</u>	<u>12,703</u>

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Revenue

We derive our revenues during the Track Record Period from contract works for civil engineering and building construction and maintenance. The tables below set out breakdowns of our revenue, contract costs and gross profit during the Track Record Period generated from our civil engineering works and building construction and maintenance works. For details on fluctuation of our revenue during the Track Record Period, please refer to the paragraph headed “Financial Information — Review of our Group’s Operating Results — Our revenue” on pages 189 to 190 in this document.

	Year ended 31 March 2011					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	302,166	44.9%	371,002	55.1%	673,168	100%
Contract costs	<u>(256,653)</u>	<u>40.9%</u>	<u>(370,997)</u>	<u>59.1%</u>	<u>(627,650)</u>	<u>100%</u>
Gross profit	<u>45,513</u>	<u>100%</u>	<u>5</u>	<u>—</u>	<u>45,518</u>	<u>100%</u>
Gross profit margin		15.1%		—		6.8%

	Year ended 31 March 2012					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	476,902	69.1%	213,141	30.9%	690,043	100%
Contract costs	<u>(430,484)</u>	<u>67.1%</u>	<u>(210,602)</u>	<u>32.9%</u>	<u>(641,086)</u>	<u>100%</u>
Gross profit	<u>46,418</u>	<u>94.8%</u>	<u>2,539</u>	<u>5.2%</u>	<u>48,957</u>	<u>100%</u>
Gross profit margin		9.7%		1.2%		7.1%

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	Year ended 31 March 2013					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	459,389	46.7%	524,907	53.3%	984,296	100%
Contract costs	<u>(409,045)</u>	<u>44.0%</u>	<u>(519,740)</u>	<u>56.0%</u>	<u>(928,785)</u>	<u>100%</u>
Gross profit	<u>50,344</u>	<u>90.7%</u>	<u>5,167</u>	<u>9.3%</u>	<u>55,511</u>	<u>100%</u>
Gross profit margin		11.0%		1.0%		5.6%

	Four months ended 31 July 2013					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	218,873	33.5%	435,120	66.5%	653,993	100%
Contract costs	<u>(199,062)</u>	<u>31.6%</u>	<u>(430,549)</u>	<u>68.4%</u>	<u>(629,611)</u>	<u>100%</u>
Gross profit	<u>19,811</u>	<u>81.2%</u>	<u>4,571</u>	<u>18.8%</u>	<u>24,382</u>	<u>100%</u>
Gross profit margin		9.1%		1.1%		3.7%

Gross Profit and Gross Profit Margin

Our gross profit is calculated based on total revenue less total contract costs. The gross profit margin for our civil engineering works for our Group was generally higher than that for our building construction and maintenance works and, depending on the revenue mix for the relevant financial year, our overall gross profit margin percentage may vary accordingly. For details on fluctuation of our gross profit during the Track Record Period, please refer to the paragraph headed “Financial Information — Review of our Group’s Operating Results — Our gross profit” on pages 191 to 192 in this document.

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After [•], as we shall cease to engage in building construction and maintenance business other than TW7 Project currently in progress and will not take up any new contract works for building construction and maintenance, our Group will no longer record any revenue and profit (including our related management fee income received from the Retained Vantage Group) from the building construction and maintenance business other than as a result of TW7 Project.

However, our Group would be able to meet the minimum profit requirement under [•] even after excluding the major income and expense items directly attributable to our building construction and maintenance business (as set out in “Financial Information — Our building construction and maintenance business which shall be ceased” section on page 221 in this document) from our net profits during the Track Record Period.

Highlight of certain items of our combined statements of financial position

	As at 31 March			As at 31 July
	2011	2012	2013	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	219,545	438,032	628,567	530,027
Current liabilities	<u>145,390</u>	<u>335,066</u>	<u>485,069</u>	<u>373,666</u>
Net current assets	<u>74,155</u>	<u>102,966</u>	<u>143,498</u>	<u>156,361</u>
Net assets	<u>76,213</u>	<u>104,383</u>	<u>144,449</u>	<u>157,152</u>
Total assets	<u>221,782</u>	<u>439,535</u>	<u>629,531</u>	<u>530,836</u>

Key financial ratios

The following table sets out certain key financial ratios of our Group for the Track Record Period:

	Year ended 31 March			Four months ended 31 July
	2011	2012	2013	2013
Return on equity	32.8%	27.0%	27.7%	24.2%
Return on total assets	11.3%	6.4%	6.4%	7.2%
Current ratio	1.5	1.3	1.3	1.4
Gearing ratio	0%	17.9%	54.4%	0%

For calculation of the key financial ratios above, please refer to “Financial Information — Certain key financial ratios” section on pages 212 and 213 in this document.

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RECENT DEVELOPMENT

As of 30 September 2013, we have been continuing to execute the projects in progress as disclosed in the section headed “Business — Our Projects — Projects in progress” on pages 115 to 117 in this document. In October 2013, we were awarded with a new contract regarding the provision of civil works for cable circuit improvement for certain areas of the Central and Western District of the Hong Kong Island for Company C at a contract sum of approximately HK\$41.9 million.

Based on our Group’s unaudited management accounts, for the six months ended 30 September 2013, we recorded a revenue of approximately HK\$881.8 million and a gross profit of approximately HK\$34.4 million, achieving a gross profit margin of approximately 3.9%. The gross profit margin decreased from approximately 5.6% for the year ended 31 March 2013 to approximately 3.9% for the six months ended 30 September 2013, primarily due to the continual progress of TW7 Project which contributed a significant amount of our revenue during the six months ended 30 September 2013 and has a lower gross profit margin as compared to that of our civil engineering works projects generally. As of 30 September 2013, we had total current assets of approximately HK\$550.2 million and total current liabilities of approximately HK\$388.5 million. Please refer to the section headed “Financial Information — Net Current Assets” on pages 205 to 206 in this document for further details. There was no adverse change in our financial position for the six months ended 30 September 2013 when compared to those for the year ended 31 March 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 July 2013 and there is no event since 31 July 2013 which would materially affect the information shown in our combined financial information included in the Accountants’ Report set forth in Appendix I to this document.

DIVIDEND POLICY

Prior to the Reorganisation, EXCEL declared a one-off and non-recurring dividend of HK\$60 million to the then shareholder, Great Jump on [•] November 2013. On the same day, Great Jump declared the entire HK\$60 million as dividend to the then shareholder, Profit Chain. Such dividend will be funded by using our internal resources and paid before the [•] in December 2013. Investors in the [•] and persons becoming our Shareholders after the [•] will not be entitled to such dividend. After completion of the [•], our Shareholders will be entitled to receive dividends only when declared by our Board. Save as aforesaid, no dividend has been paid or declared by companies comprising our Group or our Company during the Track Record Period and from 1 August 2013 up to the Latest Practicable Date. As at 31 July 2013, our Company did not have any distributable reserves available for distribution to the Shareholders.

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SUMMARY

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set forth in the section headed “Risk Factors” on pages 27 to 42 in this document and we believe that some of the material risks are:

- Our business is concentrated on our major customers and our performance largely depends on our ability to tender for and us being awarded works from some of our major customers.
- Cessation of building construction and maintenance business by us upon completion of TW7 Project may have a material adverse effect on our business, operating results and financial condition.
- Expiration of R&R Programme may lead to a reduction of waterworks opportunities available for tender in Hong Kong in the future.
- We are subject to the risks associated with tendering process. Our contracts are normally awarded through competitive tendering process.
- Failure to accurately estimate the overall risks, revenues or costs of our contracts, or to agree to the pricing of work done pursuant to change orders may lead to lower than anticipated profits or losses.

Impact of cessation of income generation from certain major customers and projects after [•]

Cessation of TW7 Project

In the past, the undertaking of building construction works by our Group was mainly due to the corporate strategy of the Vantage Group on diversification of risks, and establishing track records on different nature of construction projects, among its member companies. After the [•], our Group shall cease all building construction and maintenance business upon completion of TW7 Project which accounted for approximately 55.11%, 30.89%, 53.33% and 66.53% of our revenue for the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. The outstanding amount yet to be recognised for TW7 Project as at 31 July 2013 was approximately HK\$494 million.

Our Group intends to maintain its position as one of the leading civil engineering construction companies in Hong Kong and to continue to build on its existing competitive strengths set out in the “Business — Our Competitive Strengths” section on pages 94 to 97 in this document. The retention money receivables from TW7 Project amounted to approximately HK\$80.3 million and HK\$80.3 million as at 31 July 2013 and 30 September 2013 respectively. 50% of the final retention money will be settled upon project completion which is expected to be mid-2014 while the remaining 50% balance will be settled upon expiry of the maintenance period which is expected to be mid-2015 according to the relevant contract terms. Upon release of such retention money we have put up for TW7 Project, our Group will have more working capital and human resources available for tendering new civil engineering works. Given the scale of TW7 Project, it is possible that the total revenue

SUMMARY

of our Group in the few years after the completion of TW7 Project may reduce because contract sums of typical civil engineering works are smaller. However, our gross profit margin may increase on the basis that the gross profit margin for civil engineering works for our Group achieved during the Track Record Period was generally higher than that achieved for building construction works.

Cessation of R&R Programme

In relation to civil engineering waterworks which we are particularly active in, as of 31 July 2013, we had 5 significant projects in progress which are part of the R&R Programme launched by WSD with a total outstanding amount yet to be recognised as revenue as of 31 July 2013 of HK\$1,144 million, which represented approximately 67.18% of the total computable outstanding amount yet to be recognised of the significant projects that were in progress as at 31 July 2013 as shown in the table headed “Projects in progress” in the “Business” section on pages 115 to 117 in this document. The total amount of revenue recognised during the Track Record Period of such 5 R&R Programme projects in progress together with the 2 R&R Programme projects which were completed during the Track Record Period amounted to HK\$939 million. The R&R Programme has already commenced its last stage and is expected to complete by 2015. Expiration of the R&R Programme may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in the future. For details of the related risk, please refer to the paragraph headed “Risk Factors — Expiration of the R&R Programme may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in the future” on page 29 in this document.

On cessation of the R&R Programme, our Group plans to continue to tender for new waterworks projects from WSD. Besides the R&R Programme, there are plenty of waterworks civil engineering projects in the pipeline of WSD. According to the Report on the examination of the Estimates of Expenditure 2013 to 2014 issued in July 2013 by the Finance Committee of the Legislative Council of Hong Kong, a new replacement and rehabilitation programme of water mains is being planned by WSD for implementation after the current R&R Programme is completed. According to the WSD Annual Report, WSD is extending the sea water supply network and improving the existing sea water systems. According to a press release issued by WSD on 6 February 2013, a project is scheduled for commencement later in 2013 to enlarge the storage capacity of the existing Butterfly Valley Fresh Water Primary Service Reservoir in Kwai Tsing. Accordingly, our Directors believe that WSD will in the forthcoming years, invite for tenders to implement the projects as mentioned above. From a longer perspective, our Directors believe that WSD is targeting the production of reclaimed water for toilet flushing and other non-potable uses as well as liaising with other Government departments to implement trial schemes on recycling of grey water and harvesting rainwater. Further, with the Government’s policy of increasing public expenditure on infrastructure and NDAs projects, our Directors believe that such infrastructure projects will expectedly involve waterworks, roads and drainage and other civil engineering construction works at some stage which our Group possesses the requisite licences to tender for.

SUMMARY

The retention money receivables from our R&R Programme projects in progress amounted to approximately HK\$11.7 million and HK\$12.4 million as at 31 July 2013 and 30 September 2013 respectively. The final amount of retention money as at completion of each project will be settled upon expiry of the maintenance period according to the relevant contract terms in each contract. With the freeing up of working capital and human resources of our Group upon completion of TW7 Project and the waterworks projects in the R&R Programme, our Group intends to actively tender for new waterworks, roads and drainage and other civil engineering construction works offered by various departments of the Government. Our Directors are of the view that on the basis of the extensive experience and expertise of our management team in civil engineering works and our track record of undertaking civil engineering projects for various Government departments, we are well positioned to tender for such projects in the future. Our Directors expect that our Group will continue to be awarded with new contracts from WSD in particular, in the event the new replacement and rehabilitation programme of water mains currently being planned by WSD is implemented, after cessation of the R&R Programme. Accordingly, the impact from the cessation of the R&R Programme on our Group’s revenue and profitability in future may be mitigated. So long as demand for civil engineering works exists, our Group shall continue to tender for appropriate projects, regardless of whether the R&R Programme is in place.

Cessation of receipt of management fee income from the Retained Vantage Group

The management fee income received from the Retained Vantage Group during the Track Record Period consisted of (i) staff cost reimbursement from Able Contractors in connection with TW7 Project of approximately nil, HK\$1.3 million, HK\$9.9 million and HK\$2.5 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, and (ii) charging back of approximately nil, HK\$1.5 million, HK\$4.1 million and nil respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 from Able Contractors of the management fee paid to Vantage for sharing corporate expense of the Vantage Group attributable to MOS Project and TW7 Project on cost basis. For the staff cost reimbursement, we will no longer receive such part of management fee income from the Retained Vantage Group after the completion of TW7 Project which is expected to be in mid-2014. However, after completion of TW7 Project, staff members that were provided to the Retained Vantage Group for execution of TW7 Project will be available for assisting our Group in tendering and/or executing new civil engineering construction projects. On the condition that our Group’s tenders for civil engineering works in future are successful, it is expected that our Group will generate more revenue from civil engineering works as more staff will be available for tendering and/or executing new civil engineering works and our gross profit margin in the future is also expected to increase as our Group has been receiving reimbursement in relation to the staff only on a cost basis from the Vantage Group. In addition, since April 2013, we have ceased to pay any management fee to Vantage for sharing certain corporate expense of the Vantage Group which mainly represented the salaries and bonus of Vantage’s executive directors in relation to their overall management

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SUMMARY

of Vantage Group. This made it unnecessary for our Group to charge back such corresponding amount from Able Contractors by way of management fee income since April 2013, and accordingly, our Directors believe that there will be no adverse financial effect to our Group in this connection.

With reference to the total number of projects tendered for by us as illustrated under the table headed “Business — Project Workflow — Preparation and submission of tender document — Tenders submitted during the Track Record Period” on page 106 in this document as compared to the actual number of projects engaged by our Group during Track Record Period, our Directors consider that we did not encounter difficulty in finding suitable projects to tender for during the Track Record Period, and believe that we will have adequate opportunity to contemplate other projects in the market after cessation of TW7 Project and R&R programme.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this document. Certain other terms are explained in the section headed “Glossary of Technical Terms”

“Able Contractors”	Able Contractors Limited (formerly known as Able Contractors Company Limited), a company with limited liability incorporated in Hong Kong on 3 October 1997, a wholly-owned subsidiary of Vantage and a connected person of our Company
“Able Engineering”	Able Engineering Company Limited, a company with limited liability incorporated in Hong Kong on 21 May 1976, a wholly-owned subsidiary of Vantage and a connected person of our Company
“ACIL”	Accredited Certification International Limited
“Air Pollution Control Ordinance”	Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong) (as amended)
“Architectural Services Department”	Architectural Services Department, a department of the Government
“Articles of Association” or “Articles”	our articles of association, as conditionally adopted on [•] November 2013 with effect from [•], and as amended from time to time, a summary of which is contained in Appendix III to this document
“associate(s)”	has the meaning ascribed to it under the [•]
“Audit Committee”	the audit committee of the Board
“Best Trader”	Best Trader International Limited, a company incorporated in the BVI with limited liability on 28 May 2013, and a wholly-owned subsidiary of our Company
“Board of Directors” or “Board”	our board of Directors
“Buildings Department”	Buildings Department, a department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as amended from time to time
“Business Day”	a day (other than a Saturday or a Sunday or a public holiday) on which banks in Hong Kong are generally open for normal banking business

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DEFINITIONS

- “BVI”** British Virgin Islands
- “CAGR”** compound annual growth rate, calculated as $\left(\frac{V(tn)}{V(to)}\right)^{\frac{1}{tn-to}} - 1$, V(to): start value, V(tn): finish value, tn-to: number of years
- “Capitalisation Issue”** the issue of new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “A. Further information about our Company — 3. Written resolutions of our sole Shareholder” in Appendix IV to this document
- “CEDD”** Civil Engineering and Development Department, a department of the Government, or where the context refers to any time prior to its establishment, the relevant preceding Government department which undertook such public function
- “[•] Code”** the [•] set out in [•]
- “China” or “PRC”** the People’s Republic of China, which for the purpose of this document, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
- “Companies Law”** the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
- “Companies Ordinance”** the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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DEFINITIONS

“Company”, or “our Company”	Excel Development (Holdings) Limited (怡益控股有限公司)(formerly known as Excel Engineering (Holdings) Limited), an exempted company incorporated under the laws of the Cayman Islands on 30 April 2012 with limited liability
“Company A”	one of the principal property developers listed in Hong Kong and its subsidiaries from time to time, including their respective predecessors and successors, being one of our top 3 Independent Third Party customers during the Track Record Period, particulars of which are set out in the section headed “Business — Customer” to this document
“Company B”	a major mass transportation operator listed in Hong Kong, being an Independent Third Party customer, particulars of which are set out in the section headed “Business — Customer” to this document
“Company C”	a major public utility company in Hong Kong, being an Independent Third Party customer
“Company D”	a project-based property development company jointly and indirectly held by two substantial property developers listed in Hong Kong, being an Independent Third Party customer
“connected person(s)”	has the meaning ascribed thereto under the [•]
“CSD”	Census and Statistics Department, a department of the Government
“Deed of Indemnity”	the deed of indemnity dated [•] and entered into between Vantage and our Company, particulars of which are set out in the section headed “D. Other Information — 1. Estate duty, tax and other indemnities” in Appendix IV to this document
“Deed of Non-competition”	a deed of non-competition dated [•] entered by Vantage in favour of our Company, as further described in the section headed “Relationship with Our Controlling Shareholders” in this document
“Director(s)”	the director(s) of our Company or any one of them
“Employees’ Compensation Ordinance”	the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) as amended from time to time
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) as amended from time to time

DEFINITIONS

“Environmental Impact Assessment Ordinance”	the Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) as amended from time to time
“ETWB”	Environment, Transport and Works Bureau, Government Secretariat, or where the context refers to any time prior to its establishment, the relevant predeceasing Government Secretariat or department which undertook such public function
“EXCEL”	Excel Engineering Company Limited (怡益工程有限公司), a company incorporated in Hong Kong on 7 May 1976 with limited liability, and a wholly-owned subsidiary of our Company
“Excel-China Harbour JV”	Excel-China Harbour Joint Venture (怡益中國港灣聯營), a joint venture formed between EXCEL and an Independent Third Party joint venture partner, China Harbour Engineering Company Limited (“CHEC”), with the financial interests divided in the proportion of 70/30 pursuant to a joint venture agreement entered into by EXCEL and CHEC on 9 October 2006
“Factories and Industrial Undertakings Ordinance”	the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) as amended from time to time
“GADELLY”	Gadelly Construction Company Limited (加德利建築有限公司) (formerly known as Gadelly Plant Company Limited (加德利機械有限公司)), a company incorporated in Hong Kong on 8 May 1981 with limited liability, and a wholly-owned subsidiary of our Company
“GDP”	gross domestic product (all references to GDP growth rates are real as opposed to nominal rates of the GDP growth), unless otherwise stated
“Government”	the Government of Hong Kong
“Government Gazette”	the official publication of the Government for, among other things, statutory notices for public tenders
“Great Jump”	Great Jump Enterprises Limited, a company incorporated in the BVI with limited liability on 6 January 2000, and a wholly-owned subsidiary of our Company

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DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context so requires, with respect to the period before which our Company became the holding company of its current subsidiaries, our Company’s current subsidiaries or the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HATS”	Harbour Area Treatment Scheme, a scheme initiated by the Government to coordinate the overall sewage collection on both sides of the Victoria Harbour
“Highways Department”	Highways Department (formerly known as Highways Office), a department of the Government
“HK\$” or “Hong Kong dollars”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“HKQAA”	Hong Kong Quality Assurance Agency
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKT Group”	HKT Trust and HKT Limited (Stock Code: 6823) and the subsidiaries of HKT Limited from time to time including Hong Kong Telecommunications (HKT) Limited and their respective predecessors and successors, one of our top 3 Independent Third Party customers during the Track Record Period
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Immigration Ordinance”	the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) as amended from time to time
“Independent Third Party(ies)”	a party which is not connected to our Company or our connected persons
“institutional bodies”	quasi-governmental bodies or government-funded organisations
“IPTV”	internet protocol television
“ISO”	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the qualify systems of business organisations
“ISO 14001”	the requirements set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts

DEFINITIONS

“ISO 9001”	the requirements set by ISO for quality management system where an organisation needs to demonstrate its ability to provide products that fulfil customer and applicable regulatory requirements and aim to enhance customer satisfaction
“Latest Practicable Date”	19 November 2013, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
“List of Approved Contractors” or the “Contractor List”	a list issued by the Development Bureau of the Government comprising contractors who are approved for carrying out public works in one or more of the five major categories of building and civil engineering works, i.e. “Buildings”, “Port Works”, “Roads & Drainage”, “Site Formation” and “Waterworks”
“List of Approved Suppliers of Materials and Specialist Contractors” or the “Specialist List”	a list issued by the Development Bureau of the Government comprising suppliers or specialist contractors who are approved for carrying out works in the designated categories of specialist works
“LPMitP”	the Landslip Prevention and Mitigation Programme launched by the Geotechnical Engineering Office under the CEDD in 2010
“MOS Project”	the carcass works contract for the proposed residential development in Ma On Shan, New Territories entered into between Company A and EXCEL, the details of which are more particularly described in the sections headed “Business - Our Projects - Completed Projects” and “Relationship with Controlling Shareholders — Sub-contracts between our Group and Retained Vantage Group — MOS Project” in this document
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, as amended from time to time, a summary of which is contained in Appendix III to this document
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) as amended from time to time
“Mr. Ngai”	Mr. Ngai Chun Hung, one of our Controlling Shareholders
“NDAs”	New Development Areas
“NENT”	North East New Territories
“Noise Control Ordinance”	The Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) (as amended)

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DEFINITIONS

“Occupiers Liability Ordinance”	the Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong) as amended from time to time
“Occupational Safety and Health Ordinance”	the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) as amended from time to time
“OHSAS 18001”	the requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“Permanent Secretary for Financial Services”	the government official appointed as the head of the Financial Services and the Treasury Bureau of the Government
“Profit Chain”	Profit Chain Investments Limited, a company incorporated in the BVI with limited liability on 10 May 2000, and a direct wholly-owned subsidiary of Vantage
“Public Health and Municipal Services Ordinance”	the Public Health and Municipal Services Ordinance (Chapter 132 of the Laws of Hong Kong)
“Reorganisation”	the reorganisation arrangements undertaken by our Group in preparation for the [•], which are described in more detail in the sections headed “History and Development” and “Appendix IV — Statutory and General Information — Further Information about our Company — Reorganisation” in this document
“Retained Vantage Group”	Vantage Group excluding our Group
“R&R Programme”	Replacement and Rehabilitation Programme of Water Mains launched by the WSD in 2000
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of HK\$[•] each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“subsidiary(ies)”	has the meaning ascribed to it in the [•]
“Substantial Shareholder(s)”	has the meaning ascribed to it in the [•]

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DEFINITIONS

“TKO Project”	the road works contract for the proposed residential development in Tseung Kwan O, New Territories entered into between Company A at the relevant time and EXCEL, the details of which are more particularly described in the section headed “Relationship with Controlling Shareholders — Sub-contracting between our Group and Retained Vantage Group — TKO Project” in this document
“Top Integration”	Top Integration Limited, a company incorporated in the BVI with limited liability on 28 March 2000, and a wholly-owned subsidiary of our Company
“Track Record Period”	the period consisting of the three years ended 31 March 2013 and the four months ended 31 July 2013
“TW7 Project”	the carcass work contract for the proposed property development at Tsuen Wan West Station, Tsuen Wan, N.T. entered into between Company A and EXCEL, the details of which are more particularly described in the sections headed “Business — Our Projects — Project in Progress” and “Connected Transactions — Non-exempt continuing connected transaction” in this document
“United States” or “U.S.”	the United States of America, its territories, its possessions subject to its jurisdiction
“US\$ or US dollar”	United States dollar(s), the lawful currency of the United States
“Vantage”	Vantage International (Holdings) Limited (盈信控股有限公司), a company incorporated in Bermuda with limited liability on 21 June 2000, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 15) and is one of our Controlling Shareholders
“Vantage Group”	Vantage and its subsidiaries including our Group from time to time
“Vantage Shares”	ordinary shares of HK\$0.025 each in the share capital of Vantage
“Vantage Shareholder(s)”	holder(s) of Vantage Shares
“Waste Disposal (Charges for Disposal of Construction Waste) Regulation”	the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) as amended from time to time

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“Waste Disposal (Chemical Waste) (General) Regulation”	the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong) as amended from time to time
“Waste Disposal Ordinance”	Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) (as amended)
“Water Pollution Control Ordinance”	Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong) (as amended)
“WBDB”	Works Branch Development Bureau of the Government
“WSD”	Water Supplies Department, a department of the Government and one of our top 3 Independent Third Party customers during the Track Record Period
“WSD Annual Report”	the annual report of WSD 2011/2012
“%”	per cent.

All times refer to Hong Kong time.

Unless otherwise specified, references to years in this document are to calendar years.

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

- “approved contractor(s)”** contractor(s) who are approved for carrying out public works under the List of Approved Contractors
- “building construction”** building construction mainly involves engineering construction of substructure and superstructure of building structural frames and external building envelopes constructed either by reinforced concrete facades, curtain walling, metal cladding and/or marble facades with external architectural features, fins and sun-breakers and the design of the theme of the buildings. It also provides the buildings with internal fitting out works, interior decoration works and accommodation facilities such as provisions of building services, electrical and mechanical installation, plumbing and drainage discharge systems, external landscaping hard and soft works, underground utilities services and community services
- “civil engineering”** the design and/or construction of structures, infrastructures, airports, roads and railways, bridges and tunnels; utilities installations; geotechnical and underground works; marine power stations, industrial plants, and refineries (all excluding major electrical and mechanical works); public amenities and facilities with structural or aforementioned content. Excluded from **“civil engineering”** are residential, public and office buildings and public amenities and facilities which are largely architecturally driven
- “main contractor”** one who enters into a contract directly with a property developer or the client party of a project, and assumes full responsibility for the satisfactory completion of the construction works
- “sub-contractor”** one who accepts orders from the main contractor or another sub-contractor for specific tasks forming part of a main contract

FORWARD-LOOKING STATEMENTS

This document contains certain statements that are, or may be deemed to be, “forward-looking statements.” These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believe(s)”, “aim(s)”, “estimate(s)”, “plan(s)”, “project(s)”, “anticipate(s)”, “expect(s)”, “intend(s)”, “may”, “seek(s)”, “can”, “could”, “ought to”, “potential”, “will” or “should” or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to “*estimate(s)*” only refer to the situations whereby best estimation was adopted by our management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this document. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- our ability to retain core team members and recruit qualified and experienced new team members;
- our ability to acquire more customers, increase market shares, and increase revenue in civil engineering works;
- our levels of indebtedness, interest payment obligations and capital needs;
- our prospective financial information;
- our business prospects;
- future development, trends and conditions in the markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;

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FORWARD-LOOKING STATEMENTS

- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- the actions and developments of our competitors;
- our relationship with, and other conditions affecting, our customers;
- changes in political, economic, legal and social conditions in Hong Kong, including the government specific policies with respect to construction industry and infrastructure; and
- the other factors that are described in this document including under the sections headed “Risk Factors”, “Business” and “Financial Information”.

Forward-looking statements are based on current plans and estimates, and speak only as of the date they are made and may and often do differ materially from actual results. Any forward-looking statements in this document reflect our management’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this document, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the [•] and except as may be required by applicable law, we undertake no obligation to revise any forward-looking statements that appear in this document to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this document. You should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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RISK FACTORS

You should carefully read and consider all of the information in this document, including the risks and uncertainties described below before making an [•] in our Shares. Our business, financial conditions or results of operations could be materially and adversely affected by any of these risks and uncertainties.

RISKS RELATING TO OUR BUSINESS

Our business is concentrated on our major customers, the top 3 of which accounted for approximately 94.7%, 95.4%, 97.2% and 95.1% of our annual revenue respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 and our performance largely depends on our ability to tender for and us being awarded works from some of our major customers

During the Track Record Period, we derived a very significant portion of our revenue from the undertaking of contract works to our major customers, including Company A, Company B, WSD and HKT Group. Our contract revenue received from these customers accounted for approximately 94.7%, 95.4%, 97.2% and 95.1% of our annual revenue respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. During the Track Record Period, our contract revenue received from our top 5 customers in civil engineering construction business accounted for approximately 44.4%, 68.4%, 46.5% and 33.5% of our annual revenue respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Our civil engineering construction contract revenue received from our major customers, WSD, HKT Group, the Hong Kong Housing Society and Company B amounted to approximately HK\$289 million, HK\$463 million, HK\$452 million and HK\$217 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. We derived our building construction and maintenance contract revenue from our major customers (1) Company A, (2) a university in Hong Kong and (3) the Hong Kong Housing Society, which in aggregate amounted to approximately HK\$371 million, HK\$213 million, HK\$525 million and HK\$435 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. All of our work done was performed by us as main contractor during the Track Record Period. It is expected that we will continue to rely on our major customers. Given that our Group shall cease all building construction and maintenance business upon completion of TW7 Project, our operating results shall, to a material extent, depend on our Group’s ability to tender for and us being awarded civil engineering works contracts by our major customers.

Although we had acquired extensive experience and established good relationship with such major customers, of which we had over 30 years of working relationship with WSD and HKT Group, through actively carrying out construction works and had been successful in securing contracts for construction and maintenance projects, with revenue recognised during the Track Record Period of an aggregate value of approximately HK\$2,965 million, there is no guarantee that we will continue to be awarded such contracts by way of tender submission in the future. Since our Group’s principal source of revenue is from our provision of construction and maintenance of civil engineering works services, among other things, the related Government’s policy, our Group’s continual ability to maintain our

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status as an approved contractor on the List of Approved Contractors to tender for and obtain contracts for public sector works projects as well as our ability to maintain good working relationship and the delivery of quality service to our customers are essential to the sustainability of our Group’s profits. Although during the Track Record Period, we did not experience any loss of work from any of such major customers, since all contracts from such major customers are normally awarded by way of tender, there can be no assurance that we will continue to be successful in securing such work contracts in the future. In the event that there is a significant reduction of work contracts from our top customers or if we fail to secure such work contracts as main contractor in the future, our business and profitability may be materially and adversely affected.

Cessation of building construction and maintenance business by us upon completion of TW7 Project may have a material adverse effect on our business, operating results and financial condition

During the Track Record Period, a large portion of our revenue was derived from our undertaking of building construction and maintenance works. Our building construction and maintenance contract revenue accounted for approximately 55.11%, 30.89%, 53.33% and 66.53% of our annual total revenue for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. Such revenue recognised during the Track Record Period was HK\$1,544 million, which was mainly related to MOS Project which was completed in March 2011 and TW7 Project.

Upon completion of TW7 Project which is expected by mid-2014, we will cease to undertake any building construction and maintenance works. The cessation of building construction and maintenance business by us upon completion of the TW 7 Project may lead to a significant reduction of works by us in future. Although we have an operating history of over 37 years in civil engineering works which is our core business and had been successful in securing contracts for civil engineering construction works, there can be no assurance that we will continue to be successful in securing such contracts in the future. Given the scale of TW7 Project, it is possible that the total revenue of our Group in the few years after the completion of TW7 Project may reduce because the contract sums of building construction works are relatively larger when compared with that of civil engineering works. If we cannot secure sufficient civil engineering construction works to a value which can make up for the reduction of revenue or profits due to the cessation of our building construction and maintenance business, there might be a material adverse effect on our business, operating results and financial condition.

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Expiration of the R&R Programme may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in the future

Of the 13 significant projects that were undertaken by us as of 31 July 2013, 5 of which are part of the R&R Programme launched by WSD with a total outstanding amount yet to be recognised as revenue as of 31 July 2013 of HK\$1,144 million, which represented approximately 67.18% of the total computable outstanding amount yet to be recognised of the significant projects that were in progress as at 31 July 2013 as shown in the table headed “Projects in progress”. Such amount yet to be recognised as revenue is computed based on the difference between the total contract sum of such 5 R&R Programme projects and the amount which have been recognised as revenue in our Group’s combined financial information on or before 31 July 2013. The total amount of revenue recognised during the Track Record Period of the above-mentioned 5 R&R Programme projects in progress together with the 2 R&R Programme projects which were completed during the Track Record Period amounted to HK\$939 million during the Track Record Period.

Although WSD is expected to continue to invite tenders for new waterworks projects under the R&R Programme in the short-term future, the R&R Programme has already commenced its last stage and is expected to be completed by 2015. There can be no assurance that the Government’s budget on capital expenditure relating to the R&R Programme as well as other announced plans which are expected to generate new civil engineering waterworks opportunities, such as the new replacement and rehabilitation programme of water mains currently being planned by WSD, the establishment of a desalination plant, development of NDAs in NENT and the improvements in WSD’s sea water supply network and systems, will not be changed or be put to a halt. There is no assurance that the Government will launch new civil engineering waterworks related programmes or projects as planned or announced. There is also no assurance that the new replacement and rehabilitation programme of water mains currently under planning by WSD will eventually be executed, and even if executed, there is no certainty as to the estimated amount of the total cost that the Government will incur on such new programme. Further, even if the Government launches new waterworks civil engineering related programmes or projects as planned or announced, there is no assurance that we can be successful in being awarded with any of such contracts. The combination effect of the expiration of the R&R Programme, which may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in the future and our failure to successfully bid for any of the new waterworks civil engineering related projects may result in a significant reduction in our revenues, which can have a material adverse impact on our business prospect, profitability and operating results in the long run.

We are subject to the risks associated with tendering process. Our contracts are normally awarded through competitive tendering process

The success rate of our Group in tendering projects was 7.6%, 9.1%, 8.9% and 5.9% for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively, which details are set out under the table under “Business — Tenders submitted during the Track Record Period” section of this document. Our Directors believe that there has been considerable competition in the bidding for construction works among various

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construction contractors in Hong Kong. Our ability to secure contracts out of our tenders is critical to our success. There is no guarantee that we will be able to maintain our past success rate in tendering projects after [•] or that we will be able to secure new contracts from our existing or new customers. In the event that we are unable to succeed in our competitive tenders or maintain business relationships with our existing customers, our revenue and results of operations will be adversely affected.

If we are unable to accurately estimate the overall risks, revenues or costs of our contracts, or if we fail to agree to the pricing of work done pursuant to change orders, we may realise lower than anticipated profits or incur losses on the contracts

Our contracts are normally awarded through competitive tendering process. We need to estimate the time and costs required for potential projects in order to determine the tender price. Also, substantially all of our revenues are derived from contracts on remeasurement basis, with rates being determined by reference to our bids and substantially agreed to at the time a project is awarded to us. We are typically responsible for all of our own costs, and our ability to achieve our target profitability on any project is largely dependent on our ability to accurately estimate and control these costs. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, may result in a lower profit or even a loss on a project. As a result, we will only realise profits on these contracts if we successfully estimate our project costs and avoid costs overruns. The amount of total costs we incur on a project is affected by a variety of factors, including, among other things, fluctuations in the price of raw materials, variations in labour and equipment costs over the term of a contract and changes in project scope or conditions. Such change in cost may cause the revenue, cost and gross profit realised from a contract to be lower than our originally estimated amounts, despite any buffer we may have built into our bids for any increase in labour and material costs.

Some of the public sector contracts provide for adjustment in the base contract prices in respect of variations in the cost of construction materials and labour, which reduces some of the exposure borne by our Group. We typically are required to bear some portion of the increase, however, before we can make a claim under the adjustment provision. In any event, the adjustment provision may not cover the full increase in our costs. If our estimates of the overall risks, revenues or costs prove inaccurate, or circumstances change, or if the adjustment provision in our contracts does not cover increase in costs in full, we may experience lower profits or even losses on our contracts, which could materially and adversely affect our business, financial condition, results of operations and prospects.

From time to time, we are required to perform extra or “change order” work as directed by a customer even if the customer has not agreed in advance on the scope or price of the work to be performed. This process may result in disputes over whether the work performed is beyond the scope of the work included in the original project and specifications, or over the price the customer is willing to pay for the extra work. Even when the customer agrees to pay for the extra work, we may be required to fund the cost of such work for a lengthy period of time until the change order is approved and funded by the customer. In addition, any delay caused by the extra work may adversely impact the timely

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scheduling of other project work and our ability to meet specified contract milestone dates. We cannot assure you that we will be able to invoice and recover the cost for the extra or change order work in full or at all, which may lead to business disputes or may otherwise adversely affect our business, financial condition, results of operations and prospects.

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

Our Group’s business is project-based. Fee collection and profit margin significantly depend on various factors, such as the terms of the work contracts, the length of the contractual period and the efficiency of implementation of the contractual works. In this connection, 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 work contracts and may also be irregular. If the fee collection pattern significantly deviates from the estimation of our Directors, our financial position could be adversely affected.

Our Group is exposed to construction disputes or litigation and claims for late delivery of construction works and delivery of substandard work as well as personal injuries claims

As main contractor, we are principally responsible for the implementation of construction projects and we may receive claims in respect of various matters from customers, sub-contractors, workers and other parties concerned with the construction from time to time. Our Group may be involved in different types of claims arising from industrial accidents or the quality or the timing of the work performed under various contracts or labour compensation in relation to works.

As regards labour compensation, employees employed in the construction sites are entitled to claim for compensation against us for injuries sustained in accidents occurring in the course of their employment under the Employees’ Compensation Ordinance. They are also entitled to claims for damages against our Group for injury sustained in accidents caused by the negligence, default or omission of our agent, employees or staff under the law.

Where there is any late delivery of construction works and delivery of substandard works, we may be liable to compensate our customers for losses or damages caused. For further details regarding the risks associated with such losses or damages, please refer to the paragraph below headed “If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments which may adversely affect our business and reputation”. As at the Latest Practicable Date, in so far as claims for late delivery of construction works and delivery of substandard works are concerned, we are not engaged in any litigation, arbitration or claim of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group. In respect of employees’ compensation

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and personal injuries claims, there were [51] outstanding claims as at the Latest Practicable Date. These were claims made by individuals who claim to have suffered injuries at construction sites for which we are responsible. Please refer to the section headed “Business — Litigation and claims” in this document.

Although we have effected insurance policies and retained moneys from our sub-contractors to cover these claims, 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. Should such claims fall outside the scope and/or limit of our insurance coverage or moneys retained from sub-contractors, our financial position may be affected.

During the Track Record Period, no member of our Group was required to make any additional payment for settlement of claims because of insufficient coverage in the insurance policies taken out by the main contractors.

Nevertheless, there can be no assurance that the insurance policies taken out by the main contractor are at all times sufficient to cover all actual and potential claims or would not be set aside for different reasons. If a relevant member of our Group is held liable for any claim, our Group may be required to settle all the amounts falling outside the relevant policy cover. In such event, the financial position of our Group, as well as our business reputation, could be adversely affected. Further, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure, such as loss of business, licences and reputation. These losses, if they occur, could have a material and adverse effect on our business and results of operations. If we were held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business and results of operations may be materially and adversely affected.

We rely on certain key personnel and recruit professionals from a limited pool of qualified candidates who have experience in our business, and loss of these key personnel or failure to recruit and retain qualified professionals could have a material and adverse effect on our results of operations

The existing key management team plays a significant role in the day to day operations and business development of our Group. Notwithstanding our Group’s consistent past record of senior management stability, any unanticipated departure of members of the team could have a materially adverse impact on our Group’s prospects and profitability.

Our Group is particularly reliant on our expert team of estimators, quantity surveyors, engineers and technicians for the preparation of tenders for contracts submitted to our customers. Since we obtain nearly all of our contracts for construction works through a tendering process, the ability of our Group to maintain the loyalty of our management team members is vital to our Group’s continual business operation and generation of income. Although we have good working relationships among our staff, there is no guarantee that such working relationships will be maintained in the future.

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Further, if any member of our key management team or any of our key personnel joins a competitor or begins a competing business, we may lose customers, other key professionals or staff members, and our business profitability and professional expertise in our operations could be materially and adversely affected. Competition for competent personnel in general is intense in the market where we operate our business. We cannot assure you that we will be able to maintain an adequate skilled labour force necessary for us to execute our business or to perform other corporate activities, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate labour force on a continuous basis, our business and operation could be adversely affected and our future growth and expansions may be inhibited.

Any failure to maintain effective quality control system in our Group could have a material adverse effect on our business and operations

We believe that the reputation and brand name that we have built up over the years play a significant role in enabling us to attract customers and secure projects. The promotion and enhancement of our reputation and brand name depend largely on our ability to provide quality and timely service to our customers. If we fail to do so or our customers no longer perceive our services to be of high quality, our brand name and reputation could be adversely affected which will in turn materially and adversely affect our business, financial condition and results of operation.

Due to the nature of our operations, our employees or contract workers may be involved in accidents resulting in casualties from time to time. In the past, there were accidents occurred in connection with our construction projects, which resulted in persons being injured during the Track Record Period and up to the Latest Practicable Date. For more information, see the section headed “Business — Labour, Health and Safety Matters” in this document. Past, existing and future negative publicity, media coverage or allegations on such accidents, whether or not accurate, may have a material adverse effect on our reputation and brand name. Although we have implemented safety policies, measures and procedures which we deem adequate on our construction sites, we cannot assure you that there will not be any further negative publicity, media coverage or allegations related to our safety management, which could materially and adversely affect our business, financial position and results of operations.

The quality of the works that we provide is critical to our success. In order to sustain such success, we need to continue to maintain an effective quality control system for our project management service and works provided to our customers. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of our quality control system to suit the ever-changing business needs, training programme as well as our ability to ensure that our quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our services, which in turn may jeopardise our reputation, reduce demands for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant

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costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on our business, financial condition and results of operations.

We are heavily dependent on sub-contractors

We, in common with many construction companies in Hong Kong, rely, to a significant extent, on sub-contractors to assist us in completing construction projects since this minimises the need to employ a large workforce including skilled labour in different specialised areas and semi-skilled labour, and increases flexibility and cost effectiveness in carrying out contracts. All of our construction works were carried out by third party sub-contractors (other than Able Contractors which is a connected person of our Company by virtue of it being a wholly-owned subsidiary of Vantage) for the three years ended 31 March 2013 and the four months ended 31 July 2013. Our Group’s five largest suppliers are our sub-contractors. Able Contractors, our largest sub-contractor, accounted for approximately 62.7%, 34.0%, 54.9% and 69.6% of the total sub-contracting fees charged to our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. The sub-contracting fees charged by our sub-contractors (three sub-contractors in total) for building construction and maintenance projects accounted for approximately 62.8% and 34.0% of the total sub-contracting fees charged to our Group for each of the two years ended 31 March 2011 and 2012 respectively. There were four and two sub-contractors for building construction and maintenance projects for the year ended 31 March 2013 and the four months ended 31 July 2013, respectively and the sub-contracting fees charged by them accounted for approximately 55.0% and 69.9% respectively of the total sub-contracting fees charged to our Group for the same period. Our Group’s five largest sub-contractors in civil engineering construction business accounted for approximately 35.1%, 63.9%, 44.4% and 30.1% of the total sub-contracting fees charged to our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. We have established a system with respect to the selection and control of Independent Third Party sub-contractors, including maintaining a regularly updated list of authorised sub-contractors, and entering into agreements with them to set forth each party’s rights and obligations. Nevertheless, we may not be able to monitor the performance of these sub-contractors as directly and efficiently as with our own staff. In addition, qualified sub-contractors may not always be readily available when our needs for outsourcing arise. Notwithstanding our Group’s proven good working relationship with, in particular, our established group of sub-contractors, which enhances the cost effectiveness and efficiency of our Group’s operation, there is no assurance that we will be able to continue to maintain and foster such good relationships with existing and new sub-contractors in the future. If we are unable to hire qualified sub-contractors, our ability to complete projects could be impaired. Although our Directors do not foresee any difficulty in replacing its Independent Third Party sub-contractors, there is no guarantee that we can always find Independent Third Party sub-contractors with the requisite knowledge, expertise, experience and capability that meet our Group’s project needs and works requirements to complete construction works in accordance with the terms of the contracts for the projects.

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In addition, the use of Independent Third Party sub-contractors does expose our Group to risks associated with either their non-performance or sub-standard performance, and risks that such third-party sub-contractors may not complete a project in accordance with its originally tendered time and cost schedules. In that event, we may be required to source these services on a delayed basis or elsewhere, or at a price higher than anticipated, which could adversely impact the profitability of our business. If a sub-contractor’s performance does not meet our standards, the quality of the project may be affected, which could harm our reputation and business prospect, and this potentially exposes us to litigation and damages claims.

We rely on Able Contractors as our only sub-contractor for our building construction business. Although Able Contractors is a connected person and we have seconded certain staff to Able Contractors, there can be no assurance that we will be able to monitor its performance before the completion of the single remaining building construction works as directly and efficiently as with our own staff.

Our customers pay us by way of progress payment and require retention money, and there is no guarantee that progress payment is paid to us on time and in full, or that retention money is fully released to us upon completion of a project

We normally receive progress payment from customers on a monthly remeasurement basis, with reference to the value of work done. Generally, the authorised person, usually the engineer or quantity surveyors employed by the customers, would issue a progress certificate certifying the work progress in the preceding month. It normally takes approximately three to four weeks for such certificates to be issued. The customers then effect payment with reference to such certificate. Payments are generally made within 30 days after the issue of the progress certificate.

A portion of contract sum, normally between 1% to 10%, is usually withheld by the customers as retention money and will generally be released upon expiry of the guaranteed maintenance period. As at 31 July 2013, approximately HK\$113 million of retention money was retained by customers in respect of our Group’s projects. Please also refer to the section headed “Business — Inspection and quality assurance — Application for payment and certification” in this document.

During each of the three years ended 31 March 2013 and the four months ended 31 July 2013, there was no allowance for construction revenue receivable arising from such payment practice. Our Group recorded no bad debt from such payment practice during the Track Record Period.

Delays in progress payments or release of retention money from our customers may increase our working capital needs. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts, including those arising from progress payments or release of retention money, based primarily on ageing

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

We are reliant on suppliers in supplying the requisite construction materials for carrying out our construction projects and we may be adversely affected if our suppliers fail to supply the desired materials up to the required standard or delay in their supply

Our purchases of construction materials for carrying out our projects from our five largest material suppliers from which we purchased materials for the use of our sub-contractors together accounted for approximately 50.2%, 67.9%, 78.8% and 84.5% of our total purchase of construction materials for the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. Should there be any disruption in the supply of construction materials from our major materials suppliers, and we are unable to identify alternative sources of supply with competitive prices, sufficient quantity and satisfactory quality, our ability to deliver works of acceptable quality standards and to complete our projects on time and thereby our profitability and financial performance may be adversely affected.

Also, these material suppliers may not have sufficient capacity to meet our needs in a timely manner or in accordance with our required quality standards. Therefore, there is no assurance that we will not encounter problems with our material suppliers in the future, or that alternative material suppliers will be identified to replace unsatisfactory material suppliers. Any delays or shortages in the supply of construction materials for carrying out our works projects from our material suppliers may adversely affect our business operations and financial results.

Labour shortages or increases in labour costs could slow our growth, harm our business and reduce our profitability

Our businesses are labour intensive and therefore, our success depends in part upon our sub-contractors' and our ability to attract, retain and motivate a sufficient number of qualified construction workers. Qualified individuals are in short supply and competition for these workers is intense. Any future inability to recruit and retain qualified individuals may delay the completion of construction works and could result in deduction of liquidated and ascertained damages from the contract sum payable to our Group. For further details regarding the risks associated with such liquidated damages, please refer to the paragraph below headed “If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments which may adversely affect our business and reputation” in this section. Any such delays could have a material adverse effect on our business and results of operations. In addition, competition for qualified construction workers could also require us to pay higher wages, which could result in higher labour costs.

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Moreover, the minimum wage requirement in Hong Kong has increased and can continue to increase our labour costs in future. The salary level of construction workers in Hong Kong has been increasing in the past several years. We may not be able to increase our prices in order to pass these increased labour costs on to our customers for contracts without price adjustments, in which case our business and results of operations would be negatively affected.

Our qualifications and licences from the Government are important to us as they dictate the range and size of public works in which we are eligible to participate as main contractor. Our participation in Government projects may, more likely than in the case of projects for private sector customers, draw public attention which may associate with adverse publicity

In order to tender for public sector contracts, a contractor is usually required to be on the appropriate List of Approved Contractors. If the capability, performance, tendering record or financial standing of a particular contractor is found to be unsatisfactory by the Government, the Government may remove a contractor from such list or take other regulatory actions against the contractor such as revocation, suspension, extending probationary period, downgrading to probationary status, or demotion to a lower group in respect of all or any work category in which the contractor is listed. In the event of a withdrawal, revocation or downgrading, there would be a detrimental impact on our Group’s prospects. In addition, any changes or alterations in the licensing requirements and/or standards for admission into the List of Approved Contractors may require us to make necessary corresponding adjustments of whatever kind and nature to meet any new requirements and/or standards resulting from such changes, thus requiring our Group to incur extra costs. Please see the section headed “Regulatory Overview” in this document for more information on the license requirements applicable to us. If any of our licenses becomes revoked, suspended, downgraded or demoted, it may seriously prejudice our Group’s ability to tender for and be awarded contracts for public construction works and thereby reduce our turnover and profit.

If a contractor has violated any law or regulation, the relevant Government authority may take disciplinary actions against the contractor, such as amendment, variation (e.g. demotion of licences to a lower grade), suspension and revocation of licences. Further, in awarding contracts to a contractor, the Government authorities will take into account a contractor’s performance and track record and whether disciplinary action has been taken against it.

Our participation in Government projects may, more likely than in the case of projects for private sector customers, draw public attention. Such publicity may be adverse and there is no assurance that any such publicity, whether adverse to our Company or not, will not be overstated. Since those projects are publicly funded, changes in government budget and policy considerations could result in delays or changes to these projects. In addition, disputes with public bodies may last for considerably longer periods of time than for those that occur with private sector counter parties, and payments from the public bodies may be delayed as a result. All these risks may affect our performance of, and collection on, contracts with public bodies, and may have a material adverse effect on our results of operations.

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If we fail to meet the requirements of our project contracts or quality standards of our services, we may face litigation, incur liquidated damages and additional costs and experience delays or difficulties in receiving payments, which may adversely affect our business and reputation

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant contract. If we fail to complete a project in a timely manner resulting in a breach of our contractual obligations, we may be liable to compensate our customers for losses or damages caused by the delay. For the projects undertaken by our Group, it is common for a clause for payment of damages for non-completion of works to be included in the contract made between our Group and the customer involved. Such a clause usually provides that in case of delay in the completion of works, a sum of liquidated damages calculated on the basis of a fixed sum of money per day (as stated in the contracts) will have to be paid by our Group to the customer for the period during which the works so remain incomplete. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for construction materials used. Since there is always a risk that construction projects undertaken by our Group may not be completed in accordance with the pre-set time schedule, our Group is subject to the risk of being claimed for the said liquidated damages when a construction project undertaken by our Group is not completed on time. Such claims for liquidated damages when construction project undertaken is not completed on time will affect the profitability of our Group if no extension of time is granted by the engineer as the customer is entitled to deduct such liquidated damages from the contract sum under the relevant contract. The effect to our Group depends on the number of days of construction work extended. Further, any failure on our part to complete a project in a timely manner could harm our reputation in the industry and hinder our ability to win future contracts and, as a result, our business, financial condition and results of operations could be materially and adversely affected.

In addition, we may be liable to compensate our customers for any losses sustained by them if any of our employees, contract workers or installation service providers do not complete projects in accordance with the terms specified in the relevant contracts. These litigation costs, together with the payment of damages, could adversely affect our profitability and financial performance.

Our short-term operating results may not be indicative of our long-term operating results

The durations of our construction contracts are relatively long, typically spanning approximately 12 to 60 months. Revenue from ongoing contracts is usually recognised over time in subsequent years. Therefore, our future results may fluctuate in connection with our entry into new contracts. Additionally, our profitability may not be in line with the progress of the project. The completion of large projects may significantly impact profitability for the year, which may result in substantial fluctuations of our profitability from year to year. Accordingly, there can be no assurance that our short-term operating results are indicative of our long-term operating results.

RISK FACTORS

Our sub-contractors may employ illegal foreign workers or may be in breach of laws or requirements

Since our Group usually acts as the main contractor in construction projects which we undertake, we typically appoint sub-contractors to carry out the various specific works involved. Although our Group’s major role is to provide overall project management and supervision over those sub-contractors and we have implemented system and procedures to prevent the employment of illegal foreign workers or the breach of laws or requirements by our sub-contractors, there is no assurance that the sub-contractors will always comply with the Immigration Ordinance (Chapter 115 of the Laws of Hong Kong) and refrain from employing illegal foreign workers or not be in breach of laws or requirements. As such, there is a risk that we, as the main contractor, may be liable to payment of fine and/or other statutory punishments when illegal foreign workers employed by the sub-contractors are found to be working in the construction sites managed by our Group or that sub-contractors are in breach of laws or requirements.

Our levels of cashflow may fluctuate

As far as a single project is concerned, net cash outflow is normally recorded at the early stage of construction when we are required to pay the setting up expenditures. As explained in the paragraph headed “Business — Inspection and quality assurance — Application for payment and certification” of this document, progress payments will only be received after the construction commences and after the works and payments are certified by our Group’s customer. Although the cash flow for a particular project may turn from net outflow at the early stage gradually into accumulative net inflow as the construction progresses, if we fail to manage the fluctuations in our cashflows from projects appropriately, our business, financial condition and results of operations could be materially and adversely affected.

The interests of our Controlling Shareholders may conflict with the interests of our Group’s other shareholders

Immediately upon the completion of the [•], Vantage, one of our Controlling Shareholders, [•], will own approximately [•]% of our enlarged issued share capital, assuming the [•] is not exercised. Accordingly, our Controlling Shareholders will be able to exercise substantial control or influence over our business by directly or indirectly voting at shareholders’ meetings in matters that are significant to us and our other Shareholders, including, but not limited to, matters relating to the following:

- mergers or other business combinations;
- acquisition or disposition of assets;
- issuance of any additional Shares or other equity securities;
- timing and amount of dividend payments; and
- management of our Company.

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RISK FACTORS

The interest of our Controlling Shareholders may not be the same as, and may conflict with, those of our other Shareholders. Our Controlling Shareholders may take actions, and exercise influence that favour their interests over the interests of us or our other Shareholders. We cannot assure you that our Controlling Shareholders will not cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our other Shareholders.

Furthermore, if other businesses affiliated with our Controlling Shareholders compete with us for qualified construction workers and other resources, it could materially and adversely affect our business operations. Any actual or perceived competition from our Controlling Shareholders’ outside businesses could have a material adverse effect on our business operations and investors’ confidence in us.

RISKS RELATING TO THE INDUSTRY

We face significant competition in the construction market, and failure to compete efficiently could materially and adversely affect our business

We operate in a highly competitive industry in which our competitors include a number of approved contractors that comprise of various global, Hong Kong and China-based companies that provide services similar to ours. Some of our competitors may have stronger brand names, greater access to capital, longer operating histories, longer and more established relationship with their customers, and greater marketing and other resources than we do. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets provided that they have the appropriate skills and are granted the requisite licences, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we can or by developing services that gain wider market acceptance than our service does. Existing and potential competitors may also develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

For our business, our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise and timely completion of the contracts to meet customers’ schedules. There can be no assurance that the competition in the tendering process will not intensify in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are exposed to a variety of project risks which may have a material and adverse impact on the returns of our Group

Construction contracts are normally awarded through competitive tendering process. We need to estimate the construction time and costs in order to determine the tender price. It often takes many months to complete projects such as those undertaken by our Group. The time taken and the costs involved in completing a project can be adversely affected by many factors, including shortages and escalating costs of materials and labour, disputes

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RISK FACTORS

with sub-contractors, labour disputes, adverse weather conditions, natural disasters, accidents, changes in government priorities or regulations, and other unforeseen problems and circumstances. Any of these factors could give rise to delays in the completion of a project and result in cost overruns or even unilateral termination of projects by customers. Such losses in contract time and costs overruns, some of which are not recoverable under the terms of contracts with customers, may reduce the profitability of a project. Delays in the process of obtaining any specific licences, permits or approvals from government agencies or authorities in carrying out any particular construction project can also increase the cost or delay the progress of a project. Failure to complete construction according to pre-set time schedules, specifications and quality standards may result in disputes, contract termination, liabilities, reduced efficiency and/or lower returns than anticipated on the construction project concerned, and may adversely affect our Group’s ability to fetch further construction projects contracts in the future. In construction works and projects, increasing emphasis placed by the government and regulatory authorities on environmental and safety issues, whether on sites or in respect of the completed works, may increase construction costs and have a material and adverse impact on the returns of our Group.

We are subject to a number of applicable ordinances and regulations in relation to labour, health, safety and environmental protection and liability. Changes in, or any failure to comply with, applicable laws or regulations may adversely affect our business and our growth strategy

Our relationships with employees are governed by various labour laws and regulations in Hong Kong, including minimum wage requirements, breaks, overtime pay, fringe benefits, safety and health requirements, working conditions and workers’ compensation rates.

Besides, the construction works undertaken by our Group is subject to the regulations and guidelines issued by the Environmental Protection Department of the Government which apply to the operation of all construction projects in Hong Kong, governing, inter alia, noise control, air and water pollution and disposal of waste. For details, please refer to the section headed “Regulatory Overview” in this document. Any non-compliance may lead to fines and/or suspension of works and/or disciplinary actions by the relevant government authorities, including revocation, suspension or variation of licences held by our Group. Hence, any breaches of applicable ordinances and regulations may adversely affect the business prospect of our Group.

During the Track Record Period, our Group has not been subject to any material claim for breach of environmental, safety and health laws, regulations and requirements. For the three years ended 31 March 2013 and the four months ended 31 July 2013, the amount of fines our Group was subject to as a result of breach of ordinances in Hong Kong in relation to environmental, safety and health applicable to our Group (including the fines relating to the breaches of the Public Health and Municipal Services Ordinance and the Factories and Industrial Undertakings Ordinance mentioned below) was HK\$2,800, HK\$2,500, HK\$21,000 and nil respectively. For the three years ended 31 March 2013 and the four months ended 31 July 2013, the amount of fines our Group was subject to as a result of breaches of the Public Health and Municipal Services Ordinance was HK\$2,800, HK\$2,500,

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RISK FACTORS

nil and nil respectively. Such breaches related to Sections 27(3) and 150 of the Public Health and Municipal Services Ordinance and involved larvae of mosquito found in the relevant construction site. For the same period, the amount of fines our Group was subject to as a result of breaches of the Factories and Industrial Undertakings Ordinance was nil, nil, HK\$21,000 and nil respectively.

There can be no assurance that the legal and regulatory environment under which we operate our business will not become more stringent or complex in the future. We may have to incur more costs to comply with any changing laws and regulations in relation to the construction industry in Hong Kong. As a result, our business and results of operations could be adversely affected.

Our performance is dependent on market conditions and trends in the construction industry and in the overall economy which may change adversely

All our operations and management are currently located in Hong Kong. Any policies that may have a negative impact upon investment sentiment in Hong Kong may, in turn, have an adverse effect on the general economy of Hong Kong and hence the prospects of the construction industry in Hong Kong. The future growth and level of profitability of the construction industry in Hong Kong are likely to depend primarily upon the continued availability of major construction 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 construction industry in Hong Kong and the general conditions and prospects of Hong Kong’s economy. These factors may affect the availability of construction projects from the public sector, private sector or institutional bodies.

The Hong Kong economy, however, has experienced considerable volatility since late 1997. Being one of Hong Kong’s primary economic sectors, the construction industry has declined as a result of Hong Kong’s general economic downturn. Although a number of infrastructure projects are in the pipeline as set out in the section headed “Industry Overview — Perspective of public works in civil engineering” of this document, these projects are susceptible to delays and the availability of Government funds. There are also many other factors affecting the construction industry, including cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, a reduction in the capital expenditure by the Government on infrastructure projects, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations and profits could be materially and adversely affected. In addition, we have no experience in operating businesses in other places, and may have difficulties in relocating our business to other geographic markets. Therefore, if there is any deterioration in the economic, political and regulatory environment in Hong Kong, our business may be materially and adversely affected.

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WAIVERS FROM STRICT COMPLIANCE WITH THE [•]

CONNECTED TRANSACTIONS

A member of our Group has entered into and is expected to continue a transaction which will constitute a non-exempt continuing connected transaction of our Company under the [•] upon [•]. We have applied to the [•] for, and the [•] has agreed to grant, a waiver in relation to the continuing connected transaction between our Group and a connected person of our Company under [•] of the [•]. For further details, please refer to the section headed “Connected Transactions” in this document.

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DIRECTORS AND PARTIES INVOLVED IN THE [•]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. LI Chi Pong	Flat G, 24/F, Block 18 Mei Hay Court South Horizons 18 South Horizon Drive Hong Kong	Chinese
Mr. POON Yan Min	38E, Tower 10, Le Point 8 King Ling Road Tseung Kwan O New Territories, Hong Kong	Chinese
Non-executive Director		
Mr. YAU Kwok Fai	Flat A, 1/F Pine Tree Gardens 4 Ede Road Kowloon Tong Kowloon, Hong Kong	Chinese
Independent non-executive Directors		
Dr. LAW Kwok Sang	Flat C, 4/F Perth Apartments 29 Perth Street Ho Man Tin Kowloon, Hong Kong	Chinese
Professor WONG Lung Tak Patrick <i>B.B.S., J.P.</i>	Flat 6A, Cumine Court 52 King's Road North Point Hong Kong	Chinese
Ms. MAK Suk Hing	Flat B, 10/F Block 5 11 Farm Road Majestic Park To Kwa Wan Kowloon, Hong Kong	Chinese

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DIRECTORS AND PARTIES INVOLVED IN THE [•]

PARTIES INVOLVED

Legal advisers to our Company

As to Hong Kong law:

Iu, Lai & Li Solicitors & Notaries
Rooms 2201, 2201A & 2202
22nd Floor
Tower I
Admiralty Centre
No. 18 Harcourt Road
Hong Kong

As to Cayman Islands law:

Conyers Dill & Pearman (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

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CORPORATE INFORMATION

Registered office	Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarter and principal place of business in Hong Kong	No. 155 Waterloo Road, Kowloon Tong Kowloon, Hong Kong
Company’s website	www.excelengco.com <i>(The information of this website does not form part of this document)</i>
Company secretary	Mr. Liu Shiu Yuen, HKICPA
Authorised representatives	Mr. Li Chi Pong Flat G, 24/F, Block 18 Mei Hay Court South Horizons 18 South Horizon Drive Hong Kong Mr. Liu Shiu Yuen Flat F, 4/F, Phase 2 Boland Court No. 12 Broadcast Drive Kowloon Tong Kowloon, Hong Kong
Audit committee	Professor Wong Lung Tak Patrick <i>B.B.S., J.P.</i> <i>(Chairman)</i> Dr. Law Kwok Sang Ms. Mak Suk Hing
Remuneration committee	Dr. Law Kwok Sang <i>(Chairman)</i> Professor Wong Lung Tak Patrick <i>B.B.S., JP</i> Ms. Mak Suk Hing Mr. Li Chi Pong
Nomination committee	Mr. Yau Kwok Fai <i>(Chairman)</i> Dr. Law Kwok Sang Professor Wong Lung Tak Patrick <i>B.B.S., JP</i> Ms. Mak Suk Hing
Compliance adviser	[•]

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CORPORATE INFORMATION

Cayman Islands principal share registrar and transfer office

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26/F, Tesbury Centre,
28 Queen’s Road East, Wanchai
Hong Kong

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited
1 Queen’s Road Central
Hong Kong

DBS Bank (Hong Kong) Limited
16/F, The Center
99 Queen’s Road Central
Central, Hong Kong

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INDUSTRY OVERVIEW

This section and elsewhere in this document contain information and statistics primarily relating to the industry we operate in and related industry sectors and in particular in Hong Kong. We have derived such information and statistics from various official Government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing 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 in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. Whilst our Directors have taken all reasonable care to ensure that the relevant facts and statistics are accurately reproduced from the government official publications, the information and statistics have not been independently verified by our Company and no representation is given as to its accuracy, completeness or fairness, and accordingly, the information contained herein should not be unduly relied upon.

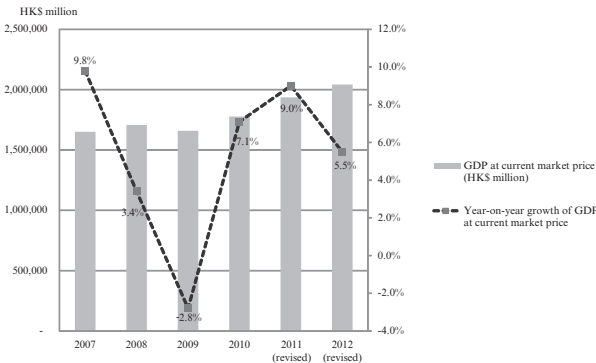
OVERVIEW

Overview of the Hong Kong economy

Construction works projects are commissioned during both the times of economic downturn and boom.

Despite the adverse impact of the global financial crisis in 2008, the GDP of Hong Kong has demonstrated an overall upward trend over the past six years from approximately HK\$1,650.8 billion in 2007 to approximately HK\$2,041.9 billion in 2012, representing a CAGR of approximately 4.35% from 2007 to 2012 according to the CSD. The global financial crisis caused the GDP growth rate to drop from about 3.4% in 2008 to -2.8% in 2009. The total GDP value declined from about HK\$1,707 billion in 2008 to about HK\$1,659 billion in 2009. The economy of Hong Kong rebounded quickly in 2010 at GDP annual growth rate of about 7.1%. Apart from an expanding domestic market due to increasing intra-regional production activities and growing number of tourists from China, the ten major infrastructure projects announced by the Government in 2007 has also supported the GDP growth in Hong Kong.

The following chart shows the GDP and GDP growth rate of Hong Kong for the periods specified.



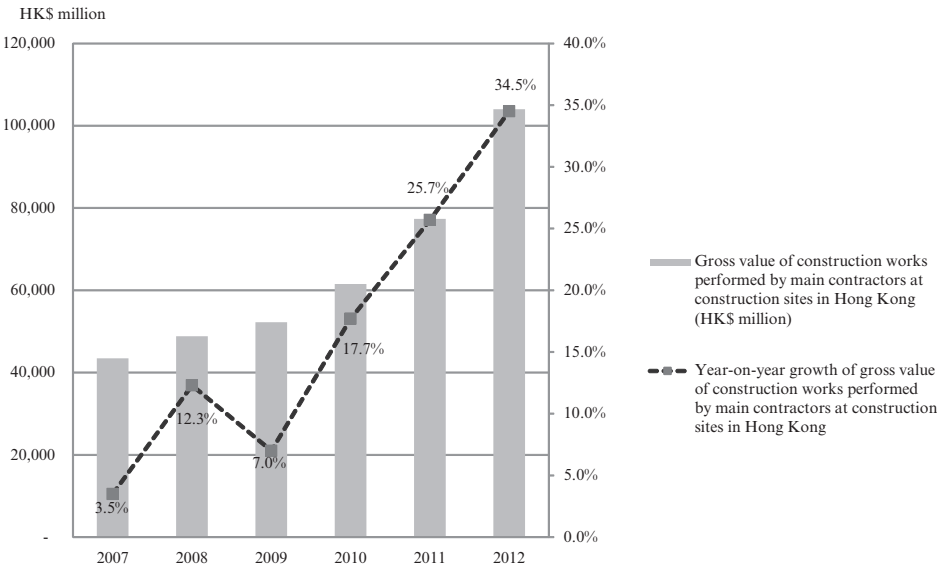
Source: The website of CSD — www.censtatd.gov.hk, August 2013

INDUSTRY OVERVIEW

Construction activities in Hong Kong

As boosted by the ten major infrastructure projects announced by the Government in 2007, the construction industry has enjoyed a steady growth in the past few years. The gross value of construction works at construction sites increased by approximately HK\$58.4 billion from approximately HK\$43.5 billion in 2007 to approximately HK\$104.0 billion in 2012, representing a CAGR of approximately 19.06% from 2007 to 2012 which significantly outperformed the CAGR of the GDP of Hong Kong for the same period.

The chart below shows the gross value of construction works at construction sites in Hong Kong and its growth rate for the periods specified.



Source: The website of CSD — www.censtatd.gov.hk, September 2013

Value added of the construction industry, being a measure of the construction industry’s output to the economy, is determined as the sum of construction works performed and other income, less the sum of payment for sub-contract works rendered by fee sub-contractors, consumption of materials and supplies, fuels, electricity and water, maintenance services and miscellaneous operating expenses (excluding interest payments).

Value added of the construction industry grew from approximately HK\$42.4 billion in 2007 to approximately HK\$65.4 billion in 2011, which represented a CAGR of approximately 11.42% from 2007 to 2011. Furthermore, the contribution of the construction industry to the GDP of Hong Kong has also grown significantly in the past few years. Whilst the value added of the construction industry represented approximately 2.57% of the GDP of Hong Kong in 2007, it has grown to represent approximately 3.38% of the GDP of Hong Kong in 2011. The following table illustrates the significance of the construction industry to the economy of Hong Kong analysed by certain information of the construction industry from 2007 to 2011.

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INDUSTRY OVERVIEW

Year	Number of establishments ⁽¹⁾	Number of persons directly engaged (‘000)	Total labour force (‘000)	Share of labour force	Value added ⁽²⁾ (HK\$ million)	GDP (HK\$ million)	Value added as a % to GDP
2007	19,399	114	3,622	3.15%	42,441	1,650,756	2.57%
2008	20,100	136	3,637	3.74%	49,929	1,707,487	2.92%
2009	20,216	135	3,660	3.69%	51,106	1,659,245	3.08%
2010	20,506	147	3,631	4.05%	56,383	1,776,783	3.17%
2011	23,417	170	3,703	4.59%	65,406	1,936,083	3.38%

Notes:

- (1) *An establishment is defined as an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location.*
- (2) *Value added = Gross value of construction works performed + Other income – Payment for sub-contract works rendered by fee sub-contractors – Consumption of materials and supplies; fuels, electricity and water, and maintenance services – Miscellaneous operating expenses (excluding interest payments)*

Source: The website of CSD — www.censtatd.gov.hk, August 2013

CONSTRUCTION INDUSTRY

Structure of construction industry

The construction industry in Hong Kong can broadly be divided into the following two categories:

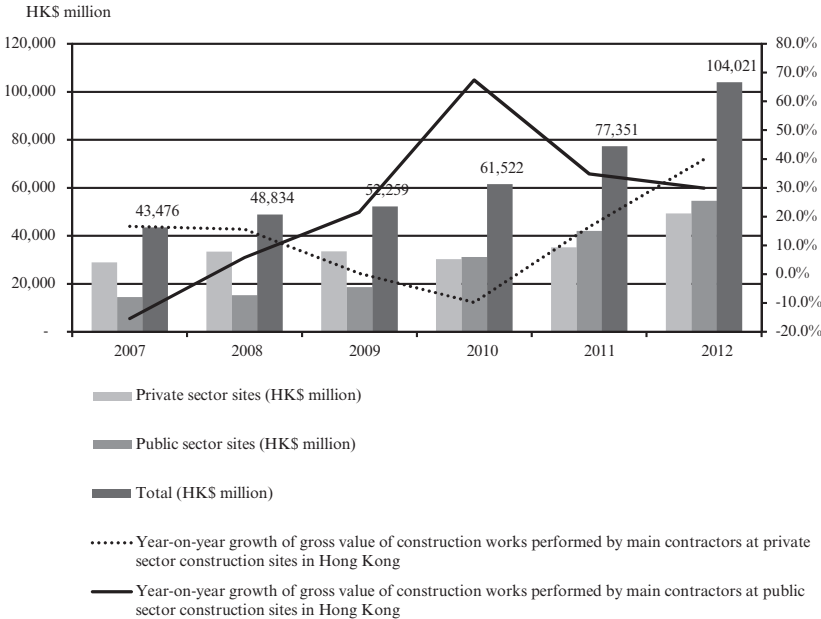
- **Building construction:** erection of architectural superstructures, new building construction, alteration and addition works, fitting out, repair and maintenance for buildings, where both the Government and private property developers and owners are active participants; and
- **Civil engineering construction:** waterworks, roads and drainage works, landslip preventive and remedial works to slopes and utilities works, where the Government is the predominant participant.

Apart from the above works nature, the construction industry can also be divided into public and private sectors, depending on whether the contracting party is a private company or the government. Due to the increase in capital expenditure spent by the Government in infrastructure projects in the past few years, the gross value of construction works at public sector construction sites have outgrown those in the private sector. The gross value of construction works at public sector construction sites increased by approximately HK\$40.2 billion from approximately HK\$14.5 billion in 2007 to approximately HK\$54.7 billion in 2012, representing a CAGR of approximately 30.39% from 2007 to 2012. Such growth rate has significantly outperformed the CAGR of the gross value of construction works at all construction sites as well as at private sector construction sites for the same period.

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INDUSTRY OVERVIEW

The chart below shows the gross value of private and public sector construction works at construction sites in Hong Kong and their respective growth rate for the periods specified.



Source: The website of CSD — www.censtatd.gov.hk, September 2013

As set out in the section headed “Relationship with Controlling Shareholders” in this document, for ensuring clear delineation of business activities between our Group and the Retained Vantage Group after the [•], our Group will focus on civil engineering construction business which is our core business, and shall cease to engage in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014. After [•], our Group will no longer record any revenue and profit from building construction and maintenance business other than from TW7 Project. Accordingly, our Directors believe that the outlook of the building construction sector in Hong Kong would have less influence on our Group’s prospects after [•]. As such, we only set out industry information below relating to civil engineering construction sector in Hong Kong, but not building construction sector in Hong Kong.

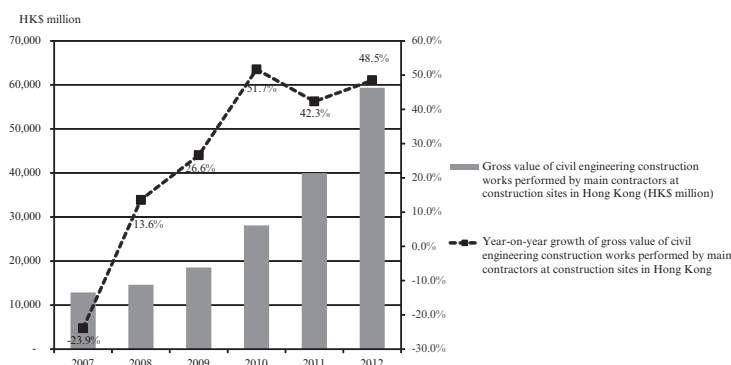
CIVIL ENGINEERING CONSTRUCTION

Growth of civil engineering construction sector

Benefited by the Government’s strategy of promoting economic growth through infrastructure development, the civil engineering construction sector (which our Group’s business is principally engaged as described in this document) has experienced an upward trend from 2007 to 2012. The gross value of civil engineering construction increased by approximately HK\$46.4 billion from approximately HK\$12.9 billion in 2007 to approximately HK\$59.3 billion in 2012, representing a CAGR of approximately 35.73% from 2007 to 2012 according to the official website of CSD. The following chart shows the gross value of civil engineering construction performed by main contractors at construction sites in Hong Kong and its growth rate for the periods specified.

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INDUSTRY OVERVIEW



Source: The website of CSD — www.censtatd.gov.hk, September 2013

Note: The nature of construction activities in the above chart represented “site formation and clearance”, “piling and related foundation works” and “civil engineering construction”.

The civil engineering construction sector comprises predominantly public sector works as infrastructures are primarily the responsibility of the Government. The table below sets out the number of construction sites and manual workers engaged by the public and private sectors in the civil engineering construction industry in Hong Kong during the period from September 2010 to March 2013:

Civil engineering construction sector

	September 2010	March 2011	September 2011	March 2012	December 2012	March 2013
Number of construction sites:						
— Public	287	305	296	309	297	327
— Private	118	78	85	72	91	79
Total	405	383	381	381	388	406
Number of manual workers engaged at sites:						
— Public	14,115	16,885	17,279	20,810	22,179	25,159
— Private	1,873	1,068	1,254	1,372	1,359	1,055
Total	15,988	17,953	18,533	22,182	23,538	26,214

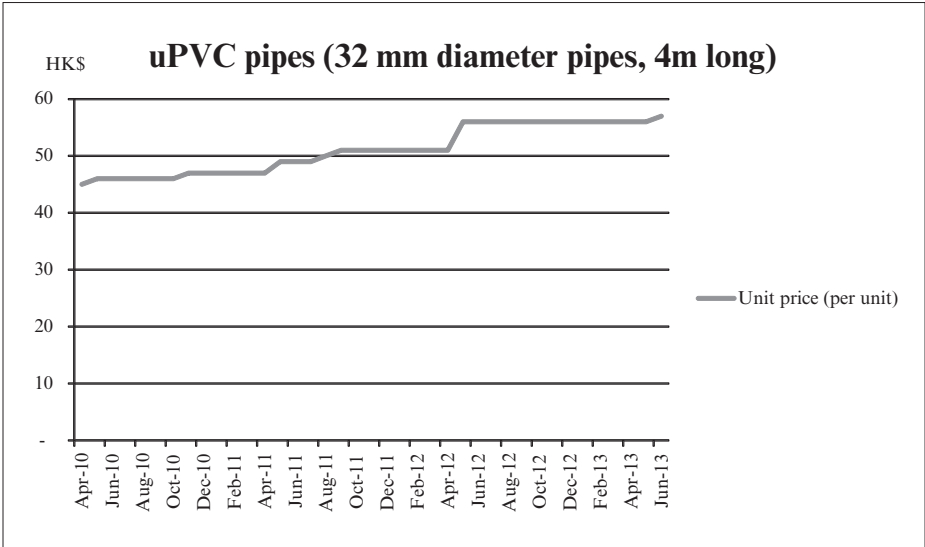
Source: The website of CSD — www.censtatd.gov.hk, September 2013

Historical trend of prices of principal construction materials and labour costs used in our projects

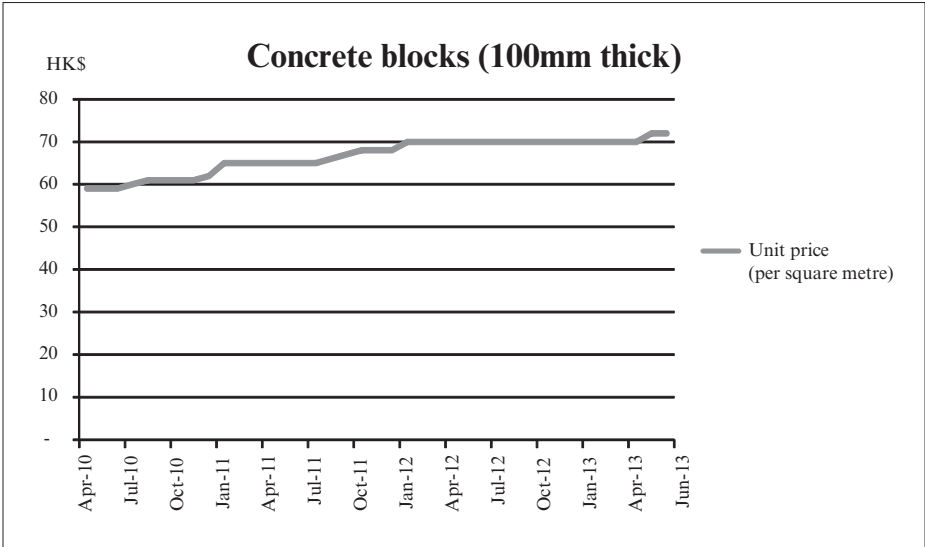
The below charts show the historical price movement of the principal construction materials, namely pipes and fittings, concrete and steel, and labour costs used in our projects, from April 2010 to June 2013.

INDUSTRY OVERVIEW

Monthly wholesale price of uPVC pipes

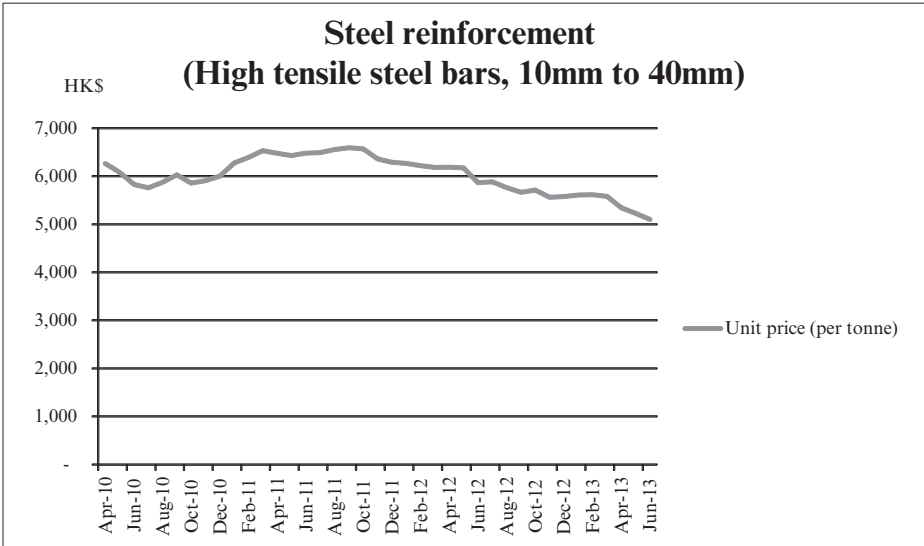
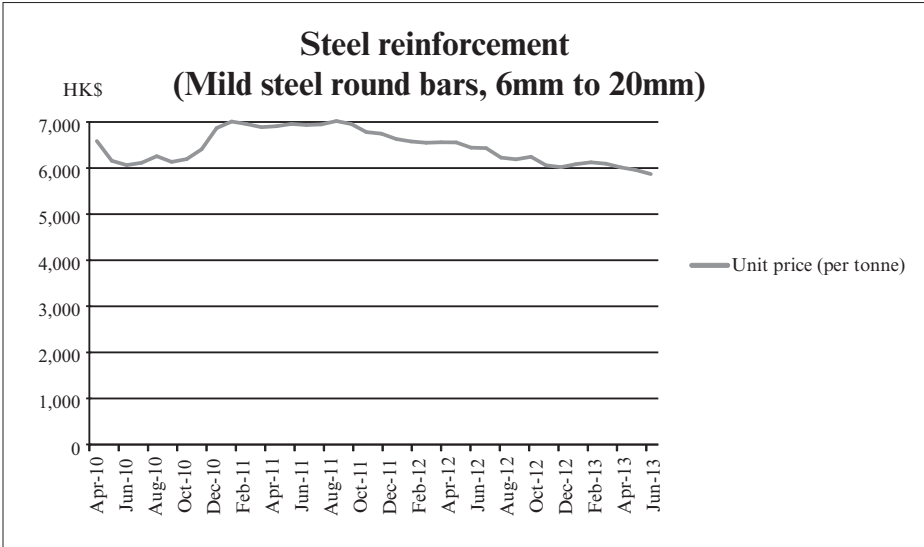


Monthly wholesale price of concrete blocks



INDUSTRY OVERVIEW

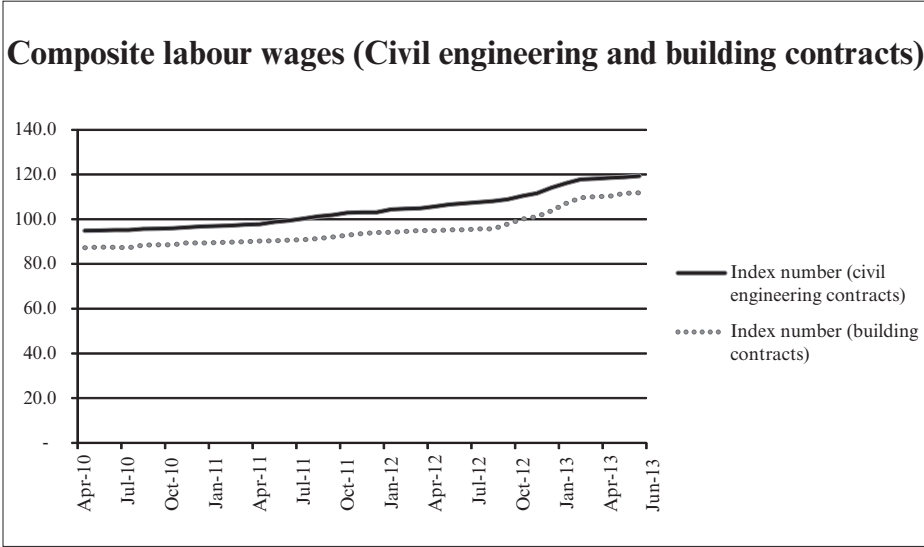
Monthly wholesale price of steel reinforcement



Source: The website of CSD — www.censtatd.gov.hk, September 2013

INDUSTRY OVERVIEW

Monthly index numbers of composite labour wages (for civil engineering contracts and building contracts respectively)



Source: The website of CSD — www.censtatd.gov.hk, October 2013

The average wholesale price of uPVC pipes increased from approximately HK\$45 per unit from April 2010 to approximately HK\$56 per unit in May 2012 and stayed steady at approximately HK\$56 to HK\$57 per unit till June 2013. From April 2010 to June 2013, the average wholesale price of concrete blocks increased steadily from approximately HK\$59 per square metre to approximately HK\$72 per square meter. From April 2010 to June 2013, the composite labour wages for civil engineering contracts and building contracts increased steadily by approximately 25.7% and 28.1%. The general increasing trends in the average wholesale prices of such materials and labour costs were due to, among other factors, the relatively strong demand in construction and relatively higher inflation in Hong Kong as well as recovery of commodity prices.

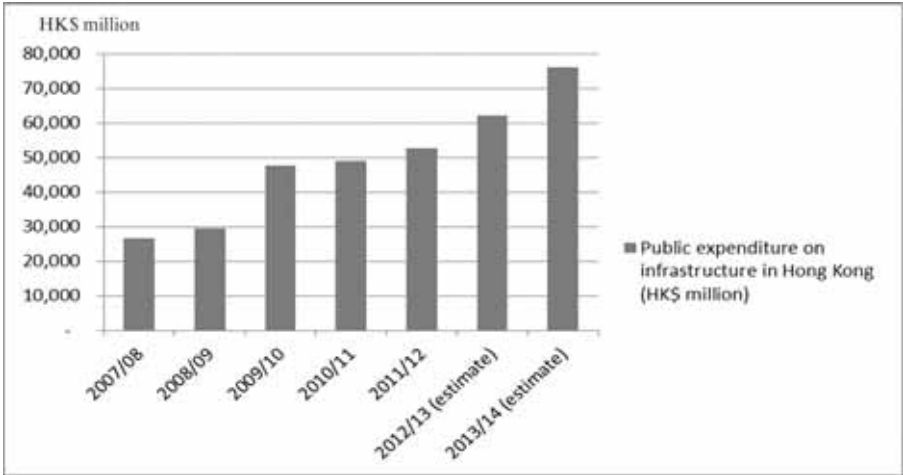
Due to impact from global financial crisis, the average wholesale price of steel reinforcement (mild steel round bars, 6mm to 20mm) decreased from HK\$6,885 per tonne in April 2010 to approximately HK\$6,064 per tonne in July 2010 and then started increasing substantially back to a level of approximately HK\$7,000 per tonne until October 2011 as a result of recovery of the global economy. It then started decreasing to approximately HK\$5,870 per tonne in June 2013 mainly due to the impact of European debt crisis in 2011. The average wholesale price of steel reinforcement (high tensile steel bars, 10mm to 40mm) followed a similar trend. It decreased from approximately HK\$6,263 per tonne in April 2010 to HK\$5,758 per tonne in July 2010 and then started increasing substantially back to a level of approximately HK\$6,600 per tonne until October 2011, and afterwards started decreasing to approximately HK\$5,099 in June 2013.

INDUSTRY OVERVIEW

Perspective of public works in civil engineering

As the Government is committed to implement the policy objective of promoting economic development through investment in infrastructure development, such policy has brought sustained impetus to the construction industry and the economy of Hong Kong. With the commencement of various major infrastructure projects, the expenditure on capital works has risen progressively from approximately HK\$26.6 billion in 2007/08 to approximately HK\$52.5 billion in 2011/12. According to the Government’s Budget 2013/14, it is estimated that capital works expenditure will increase to over HK\$70 billion for each of the next few years since major infrastructure projects are entering their construction peaks, with an expected increase of approximately 44.9% as compared to the amount in 2011/12.

The following graph sets out the actual and estimated public expenditure on infrastructure in Hong Kong from 2007/08 to 2013/14:



Source: *Hong Kong Annual Digest of Statistics 2012 & Government’s Budget 2013/14*

In the policy address of 2007/08, the Chief Executive of Hong Kong announced the undertaking of ten major infrastructure projects to boost economic activities and improve the living environment in Hong Kong. They include (1) transportation infrastructure — South Island Line; Shatin to Central Link and the Tuen Mun Western Bypass and Tuen Mun-Chek Lap Kok Link; (2) cross-boundary infrastructure projects — The Guangzhou-Shenzhen-Hong Kong Express Rail Link; Hong Kong-Zhuhai-Macao Bridge; Hong Kong-Shenzhen Airport Co-operation and Hong Kong-Shenzhen Joint Development of the Lok Ma Chau Loop; and (3) New Urban Development Areas — West Kowloon Cultural District; Kai Tak Development Plan and NDAs.

INDUSTRY OVERVIEW

Opportunities from major infrastructure projects

Land development of NDAs

Due to the shortage in the supply of residential flats in Hong Kong, the Chief Executive of Hong Kong, in his policy address of 2013, has introduced various plans to increase the supply of land in the future. Amongst other things, the Government has announced that it will push forward the development of NDAs to address the long-term land supply issue.

The Planning and Development Study on NENT commissioned in 1998, identified Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling as suitable NDAs.

To initiate the implementation of these NDAs, the CEDD and the Planning Department (“**PlanD**”) of the Government jointly commissioned The North East New Territories New Development Areas Planning and Engineering Study (the “**Study**”) in June 2008. The results of the Study were announced on 4 July 2013. According to the press release of the Government dated 4 July 2013, the Government will first proceed with two NDAs in Kwu Tung North and Fanling North. The number of housing units to be provided in the new extension areas will increase by about 13,400 from about 47,300 to 60,700 to accommodate 174,900 people, more than the 53,800 units originally planned for the three NDAs in the NENT.

To tie in with future development, the NDAs will be developed in phases. The detailed design of works is scheduled to commence as early as in 2013. Construction works is scheduled to commence in 2017 and will be completed progressively from 2022 for the first population intake. Other major works will commence in 2 to 3 years after the commencement of the advance works. The entire NENT NDA project is expected to be completed by 2031.

Use of underground space and cavern development

The CEDD, with the support of the PlanD, also commissioned the study on the development of underground spaces aiming at promoting the enhanced use of rock caverns in March 2010. This study explored the opportunities to enhance the effective use of land resources in Hong Kong from a new perspective through the planned development of underground space. The study was completed in March 2011.

To maintain the impetus of the cavern development initiative, CEDD commenced a new study on the “Long-term Strategy for Cavern Development” in September 2012 to formulate a long-term strategy for cavern development. Moreover, the potential of developing underground spaces in the urban areas will be further explored. This includes studying the possibility of linking up the underground spaces of existing or planned structures in the urban areas, such as the underground shopping street is proposed to connect Kai Tak with Kowloon City and San Po Kong with future Kai Tak Station.

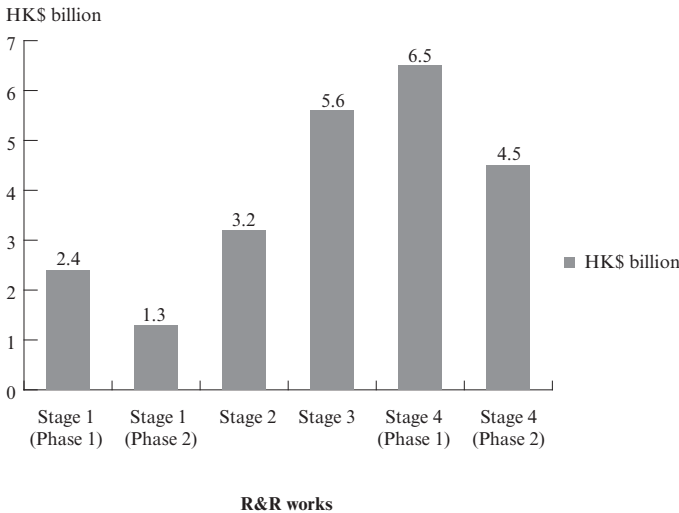
INDUSTRY OVERVIEW

Opportunities from waterworks

R&R Programme of water mains

According to WSD, the fresh water and salt water supplies in Hong Kong are provided through a network of about 7,800 kilometres of water mains. Most of these water mains are approaching the end of their service life as substantial portion of them were laid more than 30 years ago. As a result of the ageing problem, WSD has implemented a cost-effective management plan for the water supply network which started from 2000. It is a comprehensive and systemic programme to replace and rehabilitate about 3,000 kilometres of aged water mains in 15 years to the existing water supply network.

The total estimated cost of the R&R Programme is approximately HK\$23.6 billion and the programme is divided into four stages. The chart below sets out the estimated costs in individual stages of the programme:

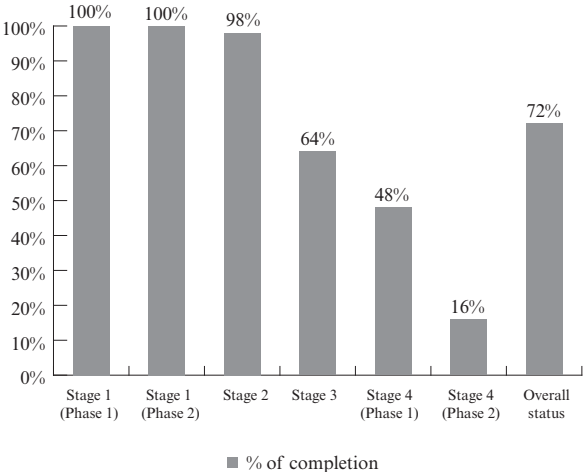


Source: The website of WSD — www.wsd.gov.hk, August 2013

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INDUSTRY OVERVIEW

Progress works in respect of various stages of the R & R Programme as of June 2013 is presented in the table below:



Source: The website of WSD — www.wsd.gov.hk, August 2013

Accordingly, as of June 2013, the Government is expected to further incur approximately HK\$9.2 billion (being approximately 39% of the estimated total cost of HK\$23.6 billion) to complete the R&R Programme.

According to WSD, the R&R Programme is expected to complete by 2015. However, a new replacement and rehabilitation programme of water mains is being planned by WSD for implementation after the current R&R Programme is completed, according to the Report on the Examination of the Estimates of Expenditure 2013 to 2014 issued in July 2013 by the Finance Committee of the Legislative Council of Hong Kong.

Further, in the Government’s 2013/14 Budget, the Government has also announced that it will continue to carry out infrastructure works such as improvement of fresh water supply to Cheung Chau, Kai Tak development (stages 3A and 4), water supply to Pak Shek Kok reclamation area and reconstruction and rehabilitation of Kai Tak nullah from Tung Kwong Road to Prince Edward Road East. According to the Report on the examination of the Estimates of Expenditure 2013 to 2014 issued in July 2013 by the Finance Committee of the Legislative Council of Hong Kong, the Secretary for Development will, in the coming year, be seeking funding approval for different types of projects, including Kai Tak development (stages 3A and 4) at an estimated expenditure of HK\$2.3 billion, reconstruction and rehabilitation of Kai Tak nullah from Tung Kwong Road to Prince Edward Road East at a cost of HK\$1.3 billion, and fresh water supply to Pak Shek Kok reclamation area, Tai Po — Stage 2 at a cost of HK\$160 million. In addition, the expansion of Tai Po water treatment works and ancillary raw water and fresh water transfer facilities — part 2 works at an estimated expenditure of HK\$6.2 billion has already commenced in January 2013.

INDUSTRY OVERVIEW

Long term maintenance programme

WSD from time to time launches term contracts in respect of maintenance of water supply systems to approved contractors. For the provision of water supply services and maintenance of the relevant facilities, WSD divides Hong Kong into several districts and in each district, the maintenance of waterworks installations is fully covered by the relevant term contract. The maintenance contracts offered by WSD are usually for a term of three years. Works orders instructed by WSD during the term of the contract will usually cover the maintenance of waterworks installations, such as catchwaters, water mains, pumping stations, service reservoirs, treatment works, watercourses and all the associated construction works in the district. The awarded contractor is also required to manage the maintenance works to the waterworks installations on behalf of WSD in emergency situation.

Improvement and upgrading of water treatment facilities

WSD also undertakes to renew, upgrade and expand the water supply infrastructures to meet the new demand and to improve the water supply system. This includes the construction of service reservoirs, construction/upgrading of pumping stations and main laying.

Alternative water resources to accommodate future demand

Hong Kong cannot acquire all of its water resources locally to support growth and development due to its geography and population reasons. Apart from Dongjiang water supplies, WSD is constantly looking for viable water source alternatives that will become valuable sources of water in the long run.

According to the WSD Annual Report, in June 2012, the Finance Committee of Legislative Council of Hong Kong approved the funding of HK\$34.3 million for a feasibility study into the establishment of a desalination plant at 10 hectare site at Tseung Kwan O with an initial output capacity of 50 million cubic metres per annum, with provisions for future expansion to an ultimate capacity of 90 million cubic metres per annum. This will meet about 10% of Hong Kong’s fresh water demand. According to WSD, the study is target to be completed by 2014 and the planned commissioning date for the desalination plant is 2020, subject to the completion of statutory and financial procedures.

Improvement in sea water network and systems

According to the WSD Annual Report, WSD is currently extending the sea water supply network and improving the existing sea water systems. There are plans for implementation of a sea water supply system for Pok Fu Lam, Yuen Long and Tin Shui Wai while those for an extension to the existing system in the Tung Chung area have been finalised. The sea water supply system in Wan Chai is also being upgraded and extended to meet the needs of the district’s increasing population. A ring sea water supply system is also being designed for Cheung Sha Wan.

To meet the increased demand for flushing water in Wan Chai, Central and Mid-level areas, the sea water supply system is being upgraded with a reprovisioned sea water pumping station, a new service reservoir at Magazine Gap Road, an additional pumping station on Bowen Drive and 7 kilometres of new salt water mains.

INDUSTRY OVERVIEW

WSD is also targeting the production of reclaimed water for toilet flushing and other non-potable uses. The pilot schemes for the recycling of treated effluent in Ngong Ping and Shek Wu Hui Sewage Treatment Works have demonstrated that the use of reclaimed water for non-potable applications is technically feasible in Hong Kong. WSD anticipates providing this water to residents in the Sheung Shui, Fanling and the NENT NDAs for toilet flushing and other non-potable uses. Apart from this, WSD is also liaising with other departments to implement trial schemes on recycling of grey water and harvesting rainwater.

Waterworks projects not related to the R&R Programme in the pipeline

Besides the R&R Programme which is currently in its last stage, waterworks civil engineering projects of WSD are continuing in the pipeline as set out in the above paragraphs. Accordingly, our Directors believe that WSD will in the forthcoming years, invite for tenders to implement the projects as mentioned above.

Opportunities from drainage works

Long term improvement measures for flood prevention

In September 1989, the Government established the Drainage Services Department of the Government (“**DSD**”) to take up the overall responsibility of providing an efficient approach to resolving the flooding problem in Hong Kong. Since then, DSD has completed studies on flood prevention strategy, drainage master plan (“**DMP**”) studies and drainage studies covering the flood-prone areas of the territory. DSD has commenced the review studies for DMPs of different regions in phases to cope with the latest developments in the community and also the changes in the weather pattern. From 1989 to 2012, DSD has completed a series of major flood prevention works costing about HK\$22.3 billion.

According to DSD, it will spend more than HK\$13 billion to carry out anti-flooding works in Hong Kong, including more than HK\$5 billion to widen the Kai Tak River to prevent flooding, of which HK\$2.6 billion will be used to improve the upstream and midstream works and HK\$2.48 billion will be used to improve the low stream works of Kai Tak River. The river runs 2.4 kilometers and the projects are expected to be completed by 2018. After such works are completed, the river can handle 150 cubic meters of water per second. The works will also be done on the design of the river to cope with major flooding that occurs once every 200 years.

In addition to the improvement works for Kai Tak River, other projects include Happy Valley Underground Stormwater Storage Scheme and Shenzhen River Regulation Project Stage IV. According to the press release of the Government dated 30 August 2013, the Development Bureau of the Government signed an agreement with the Shenzhen Municipal People’s Government to entrust the duties of management and supervision for the first contract under the Shenzhen River Regulation Project Stage IV to the Shenzhen Municipal People’s Government. The first river works contract for the project, of a value of Renminbi 177.5 million, was awarded to China Road and Bridge Corporation on 30 August 2013. It is anticipated that the whole project will complete by the end of 2017. DSD also keeps on conducting review studies for the drainage master plans for different districts with a view to review the adequacy of the existing drainage system, update and establish flood prevention plans having regard to the latest land development and land use proposals as well as the effect brought about by climate change.

INDUSTRY OVERVIEW

The construction of the Tsuen Wan Drainage Tunnel commenced in December 2007 and according to the press release of the Government dated 28 March 2013, the Tsuen Wan Drainage Tunnel was completed and commissioned on 28 March 2013, and the relevant department will commence the review studies of the Drainage Master Plans in Sha Tin, Sai Kung and Tai Po.

Sewage and harbour treatment facilities

According to DSD, about 93% of the population is now served by the public sewerage system. This system includes a sewerage network of about 1,600 kilometres in total length and around 280 sewage treatment facilities collecting and treating 2.7 million cubic metres of sewage per day from residential, commercial and industrial premises in the territory prior to disposal to the sea for dilution and dispersion through submarine outfalls.

In the past, whilst new towns in the New Territories have been provided with modern secondary sewage treatment works, the sewage infrastructure for the older urban areas has not been upgraded to cater for the level of development of Hong Kong. In order to cope with the development and the rise in standard of living, the sewage infrastructure is now being upgraded under a territory-wide sewerage rehabilitation and improvement programme. For instance, the Sha Tin Sewage Treatment Works was completed in March 2011 and the works costed about HK\$13 million. Various projects, such as Tolo Harbour sewerage of unsewered areas (stage 2, phase 1), sewerage in Nam Wa Po, Wai Tau and Outlying Islands sewerage (stage 2) were recommended under these circumstances and progressively proceed to cater for the present and future development needs.

Furthermore, the Government has implemented HATS in two phases, aimed at improving the water quality of Victoria Harbour. The first stage of HATS was fully commissioned in 2001 while the full commissioning of Stage 2A will be commenced in 2014. The Government is continuing to invest considerable resources in the sewerage infrastructure in order to improve the environment. Over HK\$20 billion have been committed in HATS Stage 2A and the sewerage rehabilitation and improvement programme, and more will be spent on further stages of the scheme.

Opportunities from slope works

LPMitP

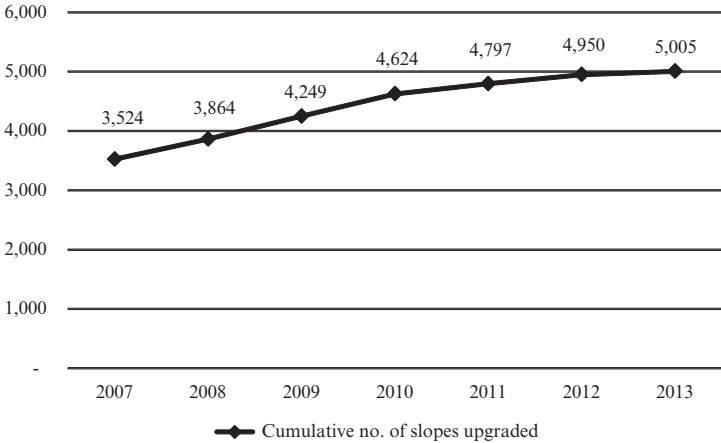
The Geotechnical Engineering Office of the CEDD (“**GEO**”) (formally known as the Geotechnical Control Office before 1991) was set up in 1977 to provide geotechnical control on new developments and redevelopments, and to develop strategy in dealing with the large stock of potentially substandard man-made slopes. The designs of new slopes which have been built since then have generally been checked by the GEO to ensure that they conform with the required safety standards. In 2010, the GEO launched a rolling LPMitP to systematically deal with the landslide risk associated with both man-made slopes and natural hillside. Under the LPMitP, the most deserving man-made slopes and natural hillside catchments are selected for studies each year in accordance with a risk based priority ranking system. The necessary landslip prevention and mitigation works, as identified by the studies, for man-made slopes and natural hillside catchments under

INDUSTRY OVERVIEW

Government’s maintenance responsibility are implemented under the LPMitP. For private slopes found to be liable to become dangerous, statutory actions are taken against the responsible private owners by the Buildings Department through the Buildings Ordinance to ensure its rectification.

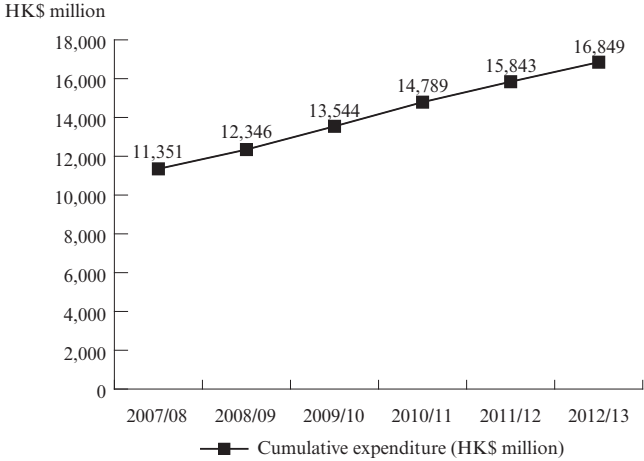
Since 1977, GEO had spent more than HK\$16 billion on landslip prevention and mitigation studies.

The cumulative number of slopes upgraded by GEO from 2007 to 2013 (up to 31 March 2013) is shown on the table below.



Source: The website of CEDD — www.cedd.gov.hk, July 2013

The cumulative expenditure from 2007 to March 2013 (up to 31 March 2013) is shown on the table below.



Source: The website of CEDD — www.cedd.gov.hk, July 2013

GEO is continuing with the LPMitP to upgrade Government man-made slopes, mitigate landslide hazards arising from natural hillside catchments and conduct safety screening for private man-made slopes. According to the Report on the Examination of the Estimates of Expenditure 2013 to 2014 issued in July 2013 by the Finance Committee of the Legislative Council of Hong Kong, the Government plans, to upgrade 150 government

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INDUSTRY OVERVIEW

man-made slopes; carry out safety-screening studies on 100 private man-made slopes; and conduct studies and implement necessary risk mitigation measures for 30 natural hillsides. Our Directors believe that the LPMitP launched by GEO continues to open up numerous opportunities of landslip prevention and remedial works to slopes for our Group.

With the freeing up of working capital and human resources of our Group upon completion of TW7 Project and the waterworks projects in the R&R Programme, our Group intends to actively tender for new waterworks, roads and drainage and other civil engineering construction works offered by various departments of the Government. Our Directors are of the view that on the basis of the extensive experience and expertise of our management team in civil engineering works and the track record of our Group of undertaking civil engineering projects for various departments of the Government, our Group is well positioned to tender for such projects in the future.

Business from private sector

Opportunities from utilities works

Hong Kong has one of the most sophisticated telecommunications markets in the world. All sectors of Hong Kong’s telecommunications market have been liberalised and have no foreign ownership restrictions. The local fixed carrier services market is fully liberalised. There is no specific requirement on network rollout or investment. As at June 2013, there were over 4.3 million exchange lines. The telephone density was 103 lines per 100 households or 60% by population, which was among the highest in the world. As at March 2012, 86.7% and 76.3% of residential households were able to enjoy a choice of at least two and three local fixed networks respectively.

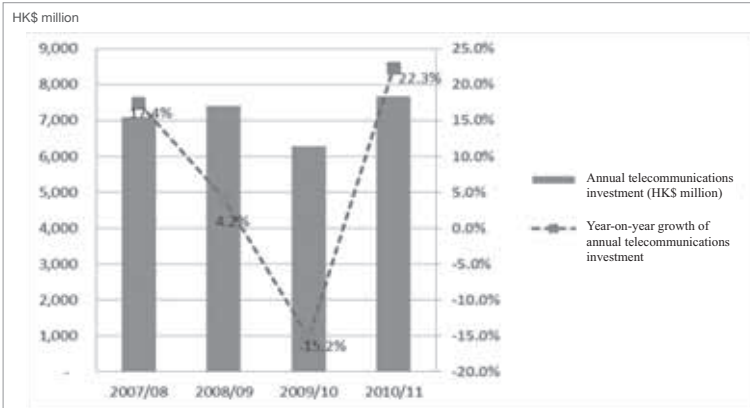
Fixed broadband internet access services are also very popular in Hong Kong. With the increased competition and coverage of broadband service using a range of access platforms, broadband networks cover virtually all commercial buildings and households. As at June 2013, there were about 2.25 million registered customers using fixed broadband services with speed up to 1,000 megabits per second. 85% of the households in the residential market in Hong Kong are using fixed broadband service.

The high penetration rate together with the high bandwidth of broadband services in Hong Kong formed a suitable platform for the launch of IPTV services. By November 2012, there were about 1.36 million IPTV subscribers in Hong Kong.

The following chart sets out the annual telecommunications investment in Hong Kong and its growth rate for the periods specified.

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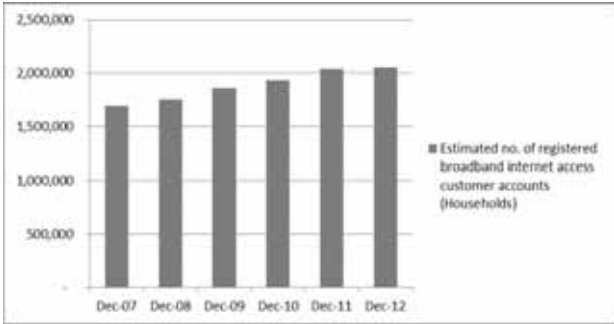
INDUSTRY OVERVIEW



Annual telecommunications investment (HK\$ million)

Source: The website of Office of the Communications Authority — <http://www.ofca.gov.hk>, March 2013

The cumulative number of registered broadband internet access customer accounts (households) from December 2007 to December 2012 can be shown on the table below.



Source: The website of Office of the Communications Authority — <http://www.ofca.gov.hk>, March 2013

Note: The above statistics are estimated figures based on the return from the Internet Service Providers (“ISPs”). They do not include users who are not customers of the licensed ISPs, such as users of the campus networks in the universities.

Taking advantage of the extensive experiences accumulated through working with HKT Group and other utilities service companies in Hong Kong, our Group has developed advanced skills and technologies in trenching and laying of ducts and cables, constructing of jointing chambers and providing integrated blockwiring infrastructure in Hong Kong.

With the freeing up of working capital and human resources of our Group upon completion of TW7 Project and the waterworks projects in the R&R Programme, it is expected that our Group will actively tender for the utilities civil engineering works offered by HKT Group and other utilities service companies. Our Directors are of the view that since our Group has undertaken utilities civil engineering works for HKT Group and a number of other utilities service companies in the past, our Group is well positioned to tender for such projects in the future.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Competitive situation

The key contractor players of the construction industry in Hong Kong comprise local main contractors and overseas contractors, and a large numbers of sub-contractors. A number of the players are both developers and contractors.

We consider the companies engaged in civil engineering construction works in Hong Kong that have been approved by the WBDB as Group C contractors under the “Waterworks” category to be our major competitors in the provision of civil engineering construction works. As at the Latest Practicable Date, there were [36] contractors that have been approved by the WBDB as Group C contractors under the “Waterworks” category. Approved contractors in other categories can also be our competitors depending on the nature of the projects.

The WBDB is responsible for ensuring the effective planning, management and implementation of public sector infrastructure development and works programme in a safe, timely and cost-effective manner and to maintain high quality and standards. The WBDB has maintained the Contractor List and the List of Approved Suppliers of Materials and Specialist Contractors. Except for contracts invited by way of open tendering, a contractor must be included in at least one of the aforesaid lists in order to be eligible to tender for public works contracts.

The Government awards construction contracts to qualified main contractors through open tender, taking into account the tender costs submitted. Due to the complexity and scale of project, the Government, and occasionally customers in the private sector, will require main contractors to make pre-qualification submission in order to assess their eligibility to tender. In such cases, other factors including prior job experience, company resources, safety and environmental protection track record could come into play.

The competition in the industry in Hong Kong has been fierce in the past few years. We are able to withstand the intense competition due to our competitive strengths that were illustrated under the paragraph headed “Business — Our Competitive Strengths” of this document.

According to the WBDB, the number of approved contractors listed on the Contractor List under the categories of “Waterworks” as at the Latest Practicable Date are as follows:

Group	Waterworks	
	<i>Confirmed</i>	<i>Probationary</i>
A	[2]	[19]
B	[3]	[9]
C	[22]	[14]

Ranking of waterworks civil engineering constructors in Hong Kong

The following tables illustrate the market conditions in terms of contract sum of the waterworks contracts awarded to waterworks civil engineering constructors in Hong Kong by WSD in relation to tenders invited during the Track Record Period:

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INDUSTRY OVERVIEW

Tenders invited during the year ended 31 March 2011

Rank	Awardee	Contract Sum (HK\$ million)
1	Company V	1,168
2	Company W	975
3	Our Group	617

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender.

Tenders invited during the year ended 31 March 2012

Rank	Awardee	Contract Sum (HK\$ million)
1	Company V	1,623
2	Company X	1,495
3	Company Z and its joint venture	805
4	Company Y	740
5	Company W	533
6	Our Group	345

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender.

Tender invited during the year ended 31 March 2013

Rank	Awardee	Contract Sum (HK\$ million)
1	Our Group	467
2	Company X	412
3	Company U	327

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender.

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INDUSTRY OVERVIEW

Tenders invited during the four months ended 31 July 2013

Rank	Awardee	Contract Sum (HK\$ million)
1	Company Z and its joint venture	[336]
2	Company T	[182]
3	Company V	[127]

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender. Up to the Latest Practicable Date, only [three] projects were awarded among all the tenders of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender invited by WSD during the four months ended 31 July 2013.

Market drivers and industry requirements of waterworks civil engineering construction in Hong Kong

On the basis of the continual increase in public expenditure on infrastructure by the Government in the forthcoming years and the need to supply more land through land development in NDAs, it is believed that the demand for civil engineering construction work in Hong Kong shall increase in the forthcoming years. It is also believed that the number of competitors in the industry shall not increase very rapidly given the requirement for getting approval by WBDB in order to be eligible to be awarded construction contracts by the Government.

Market drivers

- Since the announcement of the undertaking of 10 major infrastructure projects by the Government in 2007, the budgeted expenditure on capital works by the Government has risen progressively from approximately HK\$26.6 billion in 2007/08 to approximately HK\$52.5 billion in 2011/12 and it is expected that capital works expenditure will increase to over HK\$70 billion in the forthcoming years. Such increase of capital expenditure will drive demand as well as sustain growth in the civil engineering construction industry in Hong Kong.
- In order to address the long-term land supply issue, the Government has announced that it will push forward the development of NDAs. Such land development is expected to generate significant amount of civil engineering construction work including but not limited to, roads and drainage works, waterworks and utilities works.
- With the commencement of a feasibility study into the establishment of a desalination plant in June 2012 and the improvements proposed by WSD in its sea water supply network and systems as well as the implementation of Stage 4 of the R&R Programme, a substantial amount of civil engineering construction works are expected to be undertaken in Hong Kong in the forthcoming years.

INDUSTRY OVERVIEW

Industry requirements

- To be eligible for providing civil engineering services to the Government in the capacity of a main contractor, contractors are required to comply with the licence requirements set forth in the Contractor Management Handbook (Revision B) July 2005 issued by ETWB. The suitability of a contractor for inclusion in one or more of the works categories is assessed on the basis of a number of factors which include whether the applicant meets the minimum financial criteria, technical and management criteria and number of full time management and technical personnel with relevant experience in engineering and project management as set forth therein. In particular, there are requirements on (i) minimum employed capital and working capital; (ii) adequate relevant civil engineering works experience including but not limited to a satisfactory completion of a specified number of relevant contracts of a specified minimum value within a specified time frame; and (iii) minimum number of years of local management experience and possession of relevant qualification from the top management and technical staff.
- It is a requirement of the WBDB that all Group C contractors in Hong Kong must obtain ISO 9000 certification as one of the qualifications for tendering for Government contracts.
- There are requirements on the financial, technical and management aspects of a contractor for inclusion on the Contractor List. International and local contractors who are not currently on such list shall need to satisfy such requirements in order to be approved as a main contractor.

Details of the licensing requirements for a contractor to be eligible to tender for work contracts of the Government are set out in the section headed “Regulatory Overview” in this document.

REGULATORY OVERVIEW

HONG KONG LAWS

This section sets forth a summary of the material laws and regulations applicable to our business in Hong Kong.

Laws and Regulations in relation to Construction Labour, Health and Safety

Factories and Industrial Undertakings Ordinance

The Factories and Industrial Undertakings Ordinance provides for the safety and health protection to workers in the industrial undertakings. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by him at the industrial undertaking. The duties of a proprietor extend to include:

- providing and maintaining plant and work systems that do not endanger safety or health;
- making arrangements for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- providing and maintaining safe access to and egress from the workplaces; and
- providing and maintaining a safe and healthy working environment.

A proprietor who contravenes any of these duties commits an offence and is liable to a fine of HK\$500,000. A proprietor who contravenes any of these requirements willfully and without reasonable excuse commits an offence and is liable to a fine of HK\$500,000 and to imprisonment for 6 months.

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

REGULATORY OVERVIEW

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- provision and maintenance of plant and systems of work that are safe and without risks to health;
- making of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer’s control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- provision and maintenance of a working environment for the employer’s employees that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commission for Labour may also issue an improvement notice against non-compliance of this ordinance or the Factories and Industrial Undertakings Ordinance or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notice without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

Employees’ Compensation Ordinance

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees’ Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

REGULATORY OVERVIEW

According to section 24 of the Employees’ Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors’ employees who are injured in the course of their employment to the sub-contractor. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the Employees’ Compensation Ordinance, all employers (including contractors and sub-contractors) are required to take out insurance policies to cover their liabilities both under the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his sub-contractor(s) under the Employees’ Compensation Ordinance and at common law.

An employer who fails to comply with this ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 2 years.

Employment Ordinance

A principal contractor shall be subject to the provisions on sub-contractor’s employees’ wages in the Employment Ordinance. According to section 43C of the Employment Ordinance, a principal contractor or a principal contractor and every superior sub-contractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a principal contractor and superior sub-contractor (where applicable) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due). An employee who has outstanding wage payments from sub-contractor must serve a notice in writing on the principal contractor within 60 days after the wage due date. A principal contractor and superior sub-contractor (where applicable) shall not be liable to pay any wages to the employee of the sub-contractor if that employee fails to serve a notice on the principal contractor.

Upon receipt of such notice from the relevant employee, a principal contractor shall, within 14 days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware. A principal contractor who without reasonable excuse fails to serve notice on the superior sub-contractor(s) shall be guilty of an offence and shall be liable on conviction to a fine at level 5 (currently at HK\$50,000).

REGULATORY OVERVIEW

Pursuant to section 43F of the Employment Ordinance, if a principal contractor or superior sub-contractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior sub-contractor, as the case may be. The principal contractor or superior sub-contractor may either (1) claim contribution from every superior sub-contractor to the employee’s employer or from the principal contractor and every other such superior sub-contractor as the case may be, or (2) deduct by way of setoff the amount paid by him from any sum due or may become due to the sub-contractor in respect of the work that he has sub-contracted.

Occupiers Liability Ordinance

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Immigration Ordinance

According to section 38A of the Immigration Ordinance, a construction site controller (i.e. the principal or main contractor and includes a sub-contractor, owner, occupier or other person who has control over or is in charge of a construction site) shall take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

Where it is proved that (i) an illegal immigrant was on a construction site or (ii) such illegal worker who is not lawfully employable took employment on a construction site, the construction site controller commits an offence and is liable to a fine of HK\$350,000.

Minimum Wage Ordinance

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$30 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this ordinance is void.

REGULATORY OVERVIEW

Laws and Regulations in relation to Environmental Protection

Air Pollution Control Ordinance

The Air Pollution Control Ordinance is the principal legislation in Hong Kong for controlling emission of air pollutants and noxious odour from construction, industrial and commercial activities and other polluting sources. Subsidiary regulations of the Air Pollution Control Ordinance impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong Kong) and the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

Noise Control Ordinance

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emission standards and be issued with a noise emission label from the Director of the Environmental Protection Department. Percussive pile-driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Director of the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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Water Pollution Control Ordinance

The Water Pollution Control Ordinance controls the effluent discharged from all types of industrial, manufacturing, commercial, institutional and construction activities into public sewers, rainwater drains, river courses or water bodies. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal foul sewers or unpolluted water to storm drains), they are subject to licensing control by the Director of the Environmental Protection Department.

All discharges, other than domestic sewage to a communal foul sewer or unpolluted water to a storm drain, must be covered by an effluent discharge licence. The licence specifies the permitted physical, chemical and microbial quality of the effluent. The general guidelines are that the effluent does not damage sewers or pollute inland or inshore marine waters.

According to the Water Pollution Control Ordinance, unless being licensed under the Water Pollution Control Ordinance, a person who discharges any waste or polluting matter into the waters of Hong Kong in a water control zone or discharges any matter, other than domestic sewage and unpolluted water, into a communal sewer or communal drain in a water control zone commits an offence and is liable to imprisonment for 6 months and (a) for a first offence, a fine of HK\$200,000; (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

Waste Disposal Ordinance

The Waste Disposal Ordinance controls the production, storage, collection, treatment, reprocessing, recycling and disposal of waste. At present, livestock waste and chemical waste are subject to specific controls whilst unlawful deposition of waste is prohibited. Import and export of waste is generally controlled through a permit system.

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation and the Waste Disposal (Chemical Waste) (General) Regulation.

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

REGULATORY OVERVIEW

Under the Waste Disposal (Chemical Waste) (General) Regulation, a person who produces chemical waste or causes it to be produced has to register as a chemical waste producer. Any chemical waste produced must be packaged, labeled and stored properly before disposal. Only a licensed waste collector can transport the waste to a licensed chemical waste disposal site for disposal. Chemical waste producers also need to keep records of their chemical waste disposal for inspection by the Environmental Protection Department.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

Dumping at Sea Ordinance

Under the Dumping at Sea Ordinance, anyone involved in marine dumping and related loading operations are required to obtain permits from the Director of the Environmental Protection Department.

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

Environmental Impact Assessment Ordinance

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 of the Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a

REGULATORY OVERVIEW

fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for 1 year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

Contractor List maintained by the WBDB

The Contractor List comprises contractors who are approved for carrying out public works in one or more of the five works categories, namely, port works, roads and drainage, site formation, buildings and waterworks. There are three groups in each of the works categories, namely Group A (except that there are no Group A in port works and site formation categories), Group B and Group C. Each group has its particular tendering limits. According to the ETWB Contractor Management Handbook, the minimum probationary period is 24 months. After the probationary period, approved contractors may apply to the WBDB for confirmed status provided they have met the following requirements:

- (i) the technical and management criteria for confirmed status of each category of works; and
- (ii) the capital requirements applicable to confirmed status for each category of works.

A contractor may apply for “confirmed” status after the satisfactory completion of works appropriate to its probationary status. “Confirmed” contractors may apply to be elevated to a higher group which is subject to similar but more stringent criteria/requirements to that described above.

It is a requirement of the WBDB that all Group C contractors in Hong Kong must obtain ISO 9000 certification as one of the qualification for tendering for Government contracts.

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The following table sets out the value of works for which contractors in the respective categories and statuses may tender:

Category	Authorised contract sum
Group A (probation)	Any number of Group A contracts provided that the total value of works in any one category does not exceed HK\$30 million
Group A (confirmed)	Contracts of value up to HK\$30 million
Group B (probation)	Any number of Group A and any number of Group B contracts provided that the total value of Group B works in any one category does not exceed HK\$75 million
Group B (confirmed)	contracts of value up to HK\$75 million
Group C (probation)	a maximum of two contracts exceeding HK\$75 million in any one category provided that the total value of Group C works in any one category does not exceed HK\$220 million
Group C (confirmed)	contracts of any value exceeding HK\$75 million

Specialist List maintained by the WBDB

The Specialist List shall comprise suppliers and contractors who are approved for carrying out public works in one or more of 50 categories. For retention on the Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employed and working capital applicable to the appropriate category and group. For category “Landslip Preventive/ Remedial Works to Slopes/Retaining Walls”, the minimum employed capital and the minimum working capital are HK\$8,600,000 and HK\$ 8,600,000 respectively.

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

REGULATORY OVERVIEW

General Building Contractor Licensing Regime

Under the current contractors registration system in Hong Kong, a contractor must be registered with the Buildings Department either as general building contractor or as specialist contractor or as minor works contractors. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors.

Set out below are the requirements to register as a general building contractor, specialist contractor in foundation works and specialist contractor in site formation works under the Building Authority.

Under section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor or registered specialist contractor must satisfy the Building Authority on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plants and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

Under section 8C(2) of the Buildings Ordinance, a registered contractor should apply to the Building Authority for renewal of registration not earlier than 4 months and not later than 28 days prior to the date of expiry of the registration.

Approved Contractors of the Hong Kong Housing Authority projects

If a contractor wishes to carry out maintenance works of the Hong Kong Housing Authority, it must be included in either “Group M1” or “Group M2” of the List of Building Contractors for Public Works which is administered by the Hong Kong Housing Authority under the category of “Building Work (Maintenance Works)”. Group M1 contractor is eligible to tender for maintenance and improvement contracts with a value of HK\$20 million and for term maintenance and improvement contracts with an average annual expenditure of up to HK\$20 million. Group M2 contractor is eligible to tender for maintenance and improvement contracts of unlimited value.

To carry out decoration works of the Hong Kong Housing Authority, a contractor must be included in the List of Approved Decoration Contractors which is administered by the Hong Kong Housing Authority.

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Electrical Contractors

All contractors engaged in electrical work on fixed installations must be registered with the Electrical and Mechanical Services Department.

To be qualified as a registered electrical contractor, an applicant must either employ at least one registered electrical worker or:

- (i) if the applicant is an individual, he/she must be a registered electrical worker; or
- (ii) if the applicant is a partnership, at least one of the partners must be a registered electrical worker.

Under regulation 13 of the Electricity (Registration) Regulations, a registered contractor should apply to the Director of Electrical and Mechanical Services for renewal of registration at least one month before and no earlier than four months before to the date of expiry of the registration.

Regulatory actions against contractors by the Development Bureau and the Hong Kong Housing Authority

The Development Bureau and the Hong Kong Housing Authority may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and Employment Ordinance and employment of illegal works etc.

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor’s qualification to a lower status or class in all or any specified category) of the contractor’s licence, depending on the seriousness of the incident triggering the regulatory actions.

Compliance with the relevant requirements

Our Directors confirm that our Group has obtained all relevant permits/registrations/licences for its existing operations in Hong Kong during the Track Record Period and up to the Latest Practicable Date.

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REGULATORY OVERVIEW

In order to ensure the ongoing compliance with the applicable requirements, laws and regulations, our administration department shall be responsible for the followings:

- (i) to identify and review any approvals, permits, licences and certificates required for our Group’s operations and to ensure compliance with relevant laws and regulations periodically;
- (ii) to check relevant requirements and to make necessary submission to upkeep our Group’s licensing status;
- (iii) to identify any information which shall be provided for application/submission such as company profile, job experience, resources, financial information, management systems and certificates, technical proposal, schedule, customer satisfaction etc;
- (iv) to designate suitable personnel/department to follow up the submission of the financial information to Development Bureau and the Hong Kong Housing Authority within the time stipulated under the prevailing laws and regulations;
- (v) to keep updating those information to our clients when necessary;
- (vi) to identify the new requirements, operation and control procedures under statutory and regulations; and
- (vii) to brief the senior management for the news/update/revised requirements for ensuring that our senior management obtains update of the industry characteristic.

HISTORY AND DEVELOPMENT

GENERAL

Our Company was incorporated in the Cayman Islands with limited liability on 30 April 2012. Through the Reorganisation, our Company became the holding company of our subsidiaries. Prior to its incorporation, our Company did not exist and our subsidiaries were subsidiaries indirectly held by Vantage, a company whose shares are listed on the Main Board of the Stock Exchange.

EXCEL was established by the late Mr. Shek Yu Ming, Joseph (“**Mr. Shek**”) and his wife in 1976 to provide principally civil engineering construction services in Hong Kong. Subsequently, in 1981, Mr. Shek and an Independent Third Party established GADELLY. In 1986, all the shares of GADELLY were transferred to EXCEL.

Before Mr. Shek passed away in October 2012, he was a non-executive director and business consultant of Vantage. He had over 30 years experience in the executive role in construction companies and had completed a large number of contracts for public and private sectors.

Since their respective incorporations, EXCEL and GADELLY have engaged in waterworks, roads and drainage works, landslip preventive and remedial works to slopes and retaining walls, utilities civil engineering works and building construction and maintenance works in the public and private sectors in Hong Kong. In May 2000, shortly prior to the listing of the shares of Vantage on the Stock Exchange, Able Engineering, a wholly-owned subsidiary of Vantage, acquired 51.45% equity interest in the shares of EXCEL and subsequently in April 2001, Great Jump acquired the remaining equity interest in the shares of EXCEL.

EXCEL and GADELLY have been managed and operated by Mr. Shek since their respective incorporations and by Mr. Li Chi Pong (“**Mr. Li**”), one of our Directors and one of the directors of EXCEL and GADELLY, since 1988 and 1989 respectively. Mr. Shek, until his resignation as managing director and chief executive officer of EXCEL in 2007 and Mr. Li, since his appointment as managing director and chief executive officer of EXCEL in 2007, have been responsible for the operations and daily management of EXCEL.

The following table sets forth the significant milestones in our history:

- 1976 ● Establishment of EXCEL
- 1976 ● Commenced working relationship with WSD
- 1981 ● Establishment of GADELLY
- 1982 ● EXCEL obtained a confirmed Group A licence as an approved contractor on buildings category issued by the WBDB
- 1983 ● Commenced working relationship with HKT Group
- 1993 ● EXCEL obtained a probationary Group M2 licence as an approved building contractor on maintenance category issued by Hong Kong Housing Authority
- 1994 ● Our quality management system was first accredited by HKQAA with ISO 9001 certification

HISTORY AND DEVELOPMENT

- 1997 ● EXCEL obtained a probationary Group C licence as an approved contractor on roads and drainage category issued by the WBDB
- 1998 ● GADELLY obtained a probationary Group B licence as an approved contractor on waterworks category issued by the WBDB
- 2005 ● EXCEL obtained a confirmed Group C licence as an approved contractor on waterworks category issued by WBDB
- 2007 ● Our environmental management system was accredited by ACIL with ISO 14001 certification
- 2010 ● EXCEL was an approved specialist contractor on landslip preventive/remedial works to slopes/retaining walls category issued by WBDB
- 2010 ● Our occupational health and safety management system was first accredited by ACIL with OHSAS 18001 certification

BUSINESS DEVELOPMENT

We are principally engaged in civil engineering construction works in the public and private sectors in Hong Kong and are particularly active in civil engineering waterworks. Some of our civil engineering construction works completed during the Track Record Period include:

Year of Completion	Projects
2011	Civil engineering works term contract for HKT Group in laying of ducts, cables and construction of jointing chambers and related facilities for telecommunication networks
2011	Replacement and rehabilitation of water mains stage 1, phase 2 — Mains on Hong Kong Island (15/WSD/05)
2011	Replacement and rehabilitation of water mains stage 2 — Mains in Tsuen Wan (19/WSD/06)
2012	Improvement to Hong Kong Central mid-level and high-level areas water supply — Remaining works, construction of service reservoirs, pumping stations and associated main laying (5/WSD/07)
2012	Main contract for upgrading of electricity supply to Lok Man Sun Chuen in To Kwa Wan

Our only private residential building construction project completed during the Track Record Period was MOS Project.

HISTORY AND DEVELOPMENT

CORPORATE DEVELOPMENT

The following sets forth the corporate development of each member of our Group since their respective dates of incorporation.

Our Company

Our Company was incorporated on 30 April 2012 in the Cayman Islands. At the time of incorporation, our Company had an authorised share capital of HK\$[•] divided into [•] Shares of HK\$[•] each. On 30 April 2012, one Share was issued nil paid to the subscriber and transferred on the same day to Profit Chain. Pursuant to the written resolutions passed by the sole shareholder of our Company on [[•] November 2013], the authorised share capital of our Company was increased from HK\$[•] to HK\$[•] by the creation of an additional [•] Shares.

Best Trader

Best Trader was incorporated on 28 May 2013 in the BVI as an intermediate holding company. Upon its incorporation, it had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 4 June 2013, one subscriber share was issued and allotted to our Company at par credited as fully paid and Best Trader became our wholly owned subsidiary. As part of the Reorganisation, on [[•] November 2013], Vantage assigned the shareholder’s loans owed by Great Jump and Top Integration to Profit Chain. On the same day, Best Trader acquired the entire issued share capital and related shareholder’s loans of Great Jump and Top Integration from Profit Chain, the then sole shareholder of our Company at the relevant time, and in consideration therefor, our Company allotted and issued [•] new Shares at par credited as fully paid to Profit Chain. The transfer, issue and allotment of new Shares and assignment of the shareholder’s loans were properly and legally completed and settled.

Great Jump

Great Jump was incorporated on 6 January 2000 in the BVI as an intermediate holding company. Upon its incorporation, it had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 14 June 2000, one subscriber share was issued and allotted to Able Engineering at par credited as fully paid. On 17 August 2000, Able Engineering transferred such subscriber share at par to Profit Chain which was the sole shareholder of our Company at the relevant time on 30 April 2012. As part of the Reorganisation, on [[•] November 2013], Vantage assigned the shareholder’s loan owed by Great Jump to Profit Chain. On the same day, Profit Chain transferred its entire interest in Great Jump to Best Trader, a wholly-owned subsidiary of our Company and assigned the shareholder’s loan owed by Great Jump to Best Trader. The transfer of share and assignment of the shareholder’s loan were settled by the issue and allotment of [•] Shares in the share capital of our Company at an issue price of HK\$[•] per Share to Profit Chain. The said share transfers, issue and allotment of new Shares and assignment of the shareholder’s loan were properly and legally completed and settled. After the transfer, Best Trader became the sole shareholder of Great Jump.

HISTORY AND DEVELOPMENT

Top Integration

Top Integration was incorporated on 28 March 2000 in the BVI as an intermediate holding company. Upon its incorporation, it had an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On 14 June 2000, one share was issued and allotted at par credited as fully paid to Able Engineering. On 17 August 2000, 9,999 shares were issued and allotted to Able Engineering at par credited as fully paid and on the same date, Able Engineering transferred all of such 10,000 issued shares in Top Integration to Profit Chain which was the sole shareholder of our Company at the relevant time on 30 April 2012, at a consideration of US\$10,000 which was satisfied by Profit Chain by the issue and allotment of 10,000 shares of US\$1.00 each in Profit Chain credited as fully paid. As part of the Reorganisation, on [•] November 2013], Vantage assigned the shareholder’s loan owed by Top Integration to Profit Chain. On the same day, Profit Chain transferred its entire interest in Top Integration to Best Trader, a wholly-owned subsidiary of our Company and assigned the shareholder’s loan owed by Top Integration to Best Trader. The transfer of shares and assignment of shareholder’s loan were settled by the issue and allotment of [•] Shares at an issue price of HK\$[•] per Share in the share capital of our Company to Profit Chain. The said share transfers, issue and allotment of new Shares and assignment of shareholder’s loan were properly and legally completed and settled. After the transfer, Best Trader became the sole shareholder of Top Integration.

EXCEL

EXCEL was incorporated on 7 May 1976 in Hong Kong and commenced business on 13 May 1976. It is principally engaged in building construction, maintenance and civil engineering works in Hong Kong.

On 8 May 2000, Able Engineering entered into a sale and purchase agreement (the “**8 May 2000 SPA**”) with the six then shareholders of EXCEL (which included our Director, Mr. Li; a sibling of Mr. Shek; and to the best of our Directors’ knowledge, four Independent Third Parties at the relevant time) pursuant to which (a) Able Engineering acquired 2,350,000 shares, which represented approximately 34.06% of the then enlarged issued share capital of EXCEL from the six then shareholders of EXCEL at a consideration of HK\$11,139,000; and (b) EXCEL granted an option to Able Engineering to subscribe for 1,200,000 new shares, which represented approximately 17.39% of the then enlarged issued share capital of EXCEL at an aggregate exercise price of HK\$5,688,000. The basis of consideration was decided on the basis of (a) the net assets value of EXCEL and GADELLY of approximately HK\$16,000,000 according to the management accounts of EXCEL and GADELLY for the year ended 31 March 2000 and a premium of approximately HK\$11,000,000 decided by the parties by mutual agreement in the light of EXCEL and GADELLY’s market position in the industry; (b) the contracts on hand and the expected profit of EXCEL and GADELLY; (c) the licences held by EXCEL and GADELLY; (d) 5,700,000 shares in issue (before the exercise of the option granted to Able Engineering under the 8 May 2000 SPA to subscribe for 1,200,000 shares); and (e) acquisition of 51.45% interest in the enlarged issued share capital of EXCEL after the exercise of the option to subscribe for 1,200,000 share. Great Jump, a nominee of Able Engineering exercised the option and was allotted and issued 1,200,000 new shares on 22

HISTORY AND DEVELOPMENT

May 2000 and acquired an aggregate of 2,350,000 shares of EXCEL on 24 and 30 May 2000 from the six then shareholders of EXCEL. Able Engineering thereby held an aggregate of 51.45% interest of EXCEL through its nominee, Great Jump. The said share transfer, allotment and issue were properly and legally completed and settled.

On 9 March 2001, Great Jump, the then wholly-owned subsidiary of Vantage, entered into a sale and purchase agreement (the “**9 March 2001 SPA**”) to acquire the remaining 3,350,000 shares, which represented approximately 48.55% of the then issued share capital of EXCEL. The aggregate consideration payable by the Vantage Group for the acquisition of the 48.55% interests in each of EXCEL and GADELLY was settled by the allotment and issue of 16,000,000 consideration shares, representing 10% of the then issued share capital and approximately 9.09% of the then enlarged issued share capital of Vantage to the four vendors of the 9 March 2001 SPA. The 9 March 2001 SPA did not specify the issue price of such shares. For the purpose of recording the cost of investment in the books and records of the Vantage Group, the amount of the consideration was determined by Vantage according to the closing share price of HK\$1.9 on 27 April 2001. The consideration amounted to HK\$30,400,000.

Such consideration was agreed after an arm’s length negotiation between the Vantage Group and the four vendors to the 9 March 2001 SPA and was determined with reference to the net profit and net assets value of each of EXCEL and GADELLY as per their unaudited financial statements for the nine months ended 31 December 2000 and as of 31 December 2000 respectively and the licences required for performing construction works held by EXCEL and GADELLY (the aggregate value of the aforesaid licences have not been reflected in the net assets value of EXCEL and GADELLY as at 31 December 2000). The consideration amount of HK\$30,400,000 represented a premium of approximately 160% over the combined net assets value of EXCEL and GADELLY attributable to 48.55% of equity interests in each of EXCEL and GADELLY of approximately HK\$11.7 million as per the unaudited financial statements of EXCEL and GADELLY as of 31 December 2000. As a result, Great Jump, was transferred 3,350,000 shares of EXCEL (1 share of which was transferred to and held by Mr. Yau Kwok Fai, our Director and a director of Vantage on behalf of Great Jump) on 27 April 2001. Since then, EXCEL became a wholly-owned subsidiary of Great Jump and 4,100,000, 2,000,000, 3,000,000 new shares of EXCEL were allotted and issued, credited as fully paid, to Great Jump on 26 May 2003, 15 March 2005, 29 September 2009 respectively. The said share transfers, allotment and issue were properly and legally completed and settled.

GADELLY

GADELLY was incorporated in Hong Kong on 8 May 1981 and commenced business on 11 May 1981. It is principally engaged in construction, maintenance and civil engineering works in Hong Kong. On 10 May 2000, 400,000 shares were transferred from the four then shareholders of GADELLY (which included our Director, Mr. Li; a sibling of Mr. Shek; and to the best of our Directors’ knowledge, two Independent Third Parties at the relevant time) to EXCEL at a total consideration of HK\$600,000 which was determined with reference to (a) the net asset value of GADELLY of approximately HK\$3,000,000 according to the management accounts of GADELLY for the year ended 31 March 2000;

HISTORY AND DEVELOPMENT

and (b) 2,000,000 shares of GADELLY in issue at the relevant time. Upon completion of such transfer, EXCEL became legally and beneficially interested in 1,999,999 shares in GADELLY while Mr. Shek was legally interested in 1 share of GADELLY (holding on trust for EXCEL). On 21 August 2000, (i) 970,999 shares were transferred nil paid (due to distribution to the then shareholders of GADELLY as a result of reorganisation) from EXCEL to the five then shareholders of EXCEL (which included our Director, Mr. Li; a sibling of Mr. Shek; a Hong Kong incorporated company wholly-owned by two siblings of Mr. Shek, and to the best of our Directors’ knowledge, two Independent Third Parties at the relevant time); (ii) 1,029,000 shares were transferred from EXCEL to Top Integration at a consideration which was satisfied by Top Integration issuing and allotting 9,999 shares of Top Integration of US\$1.00 each to Able Engineering as the designated allottee by EXCEL on 17 August 2000, credited as fully paid at par; and (iii) 1 share was transferred nil paid (due to distribution to the then shareholders of GADELLY as a result of reorganisation) from Mr. Shek to an Independent Third Party. Upon completion of such transfer, Vantage through its wholly-owned subsidiary was interested in 51.45% of the issued share capital of GADELLY. The said share transfers were properly and legally completed and settled.

On 9 March 2001, Top Integration entered into the 9 March 2001 SPA to acquire the remaining 48.55% interest in the share capital of GADELLY from the four then shareholders of GADELLY. As a result, on 27 April 2001, a total of 971,000 shares were transferred from the four then shareholders of GADELLY (which included our Director, Mr. Li; a sibling of Mr. Shek; a Hong Kong incorporated company wholly-owned by two siblings of Mr. Shek, and to the best of our Directors’ knowledge, an Independent Third Parties) to Top Integration and 1 share of which was transferred to Mr. Yau Kwok Fai, our Director and a director of Vantage holding on behalf of Top Integration. On 16 December 2002 and 20 November 2009, 1,700,000 shares and 500,000 shares respectively were issued and allotted, credited as fully paid to Top Integration. The said share transfers, allotment and issue were properly and legally completed and settled. For the aggregate consideration for the acquisition of the above-mentioned 48.55% interests in each of EXCEL and GADELLY and the related basis, please see the above paragraphs headed “EXCEL”.

Excel-China Harbour JV

On 9 October 2006, EXCEL and CHEC, an Independent Third Party entered into a joint venture agreement pursuant to which:

- (i) Excel-China Harbour JV was formed in respect of the project of the replacement and rehabilitation of Water Mains, Stage 1 Phase 2 — Mains in Kowloon City, Wong Tai Sin and Kwun Tong (Contract No. 14/WSD/05); and
- (ii) the financial interests of EXCEL and CHEC would be divided in the proportion of 70/30.

The relevant project was completed in July 2010, and the final account of the project was only issued by WSD during the year ended 31 March 2013. Excel-China Harbour JV will be liquidated after making the final payment to the sub-contractor and distribute the remaining profit to its ventures, if any.

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SPECIAL DIVIDEND

Prior to the Reorganisation, EXCEL declared a one-off and non-recurring dividend of HK\$60 million to the then shareholder, Great Jump on [•] November 2013. Such dividend will be paid before the [•] in December 2013. On the same day, Great Jump declared the entire HK\$60 million as dividend to the then shareholder, Profit Chain.

REORGANISATION

The companies comprising our Group underwent a reorganisation in preparation for the [•]. The reorganisation involved the following:

- (a) On 30 April 2012, our Company was incorporated in the Cayman Islands to act as the holding company of our Group. Upon incorporation, one Share was issued nil paid to the subscriber and transferred on the same day to Profit Chain;
- (b) On 4 June 2013, one subscriber share was issued and allotted by Best Trader to our Company at par credited as fully paid and Best Trader became a wholly-owned subsidiary of our Company;
- (c) On [[•] November 2013], Vantage assigned the shareholder’s loans owed by Great Jump and Top Integration to Profit Chain.
- (d) On [[•] November 2013], Profit Chain and Best Trader entered into a reorganisation agreement pursuant to which Profit Chain transferred its entire interests in Great Jump and Top Integration and assigned the shareholder’s loans owed by Great Jump and Top Integration to Best Trader, a wholly-owned subsidiary of our Company and in consideration our Company credited as fully paid the nil paid share registered in the name of Profit Chain and allotted and issued [•] Shares at par credited as fully paid to Profit Chain. As a result, Great Jump and Top Integration became wholly-owned subsidiaries of Best Trader; and
- (e) Pursuant to the Capitalisation Issue, conditional upon the share premium account of our Company being credited as a result of the issue of the [•] by our Company pursuant to the [•], our Company will allot and issue [•] Shares, credited as fully paid, to Profit Chain, by capitalising certain sums standing to the credit of the share premium account of our Company.

OUR GROUP STRUCTURE

Our Group comprises the following companies engaged in the businesses described below:

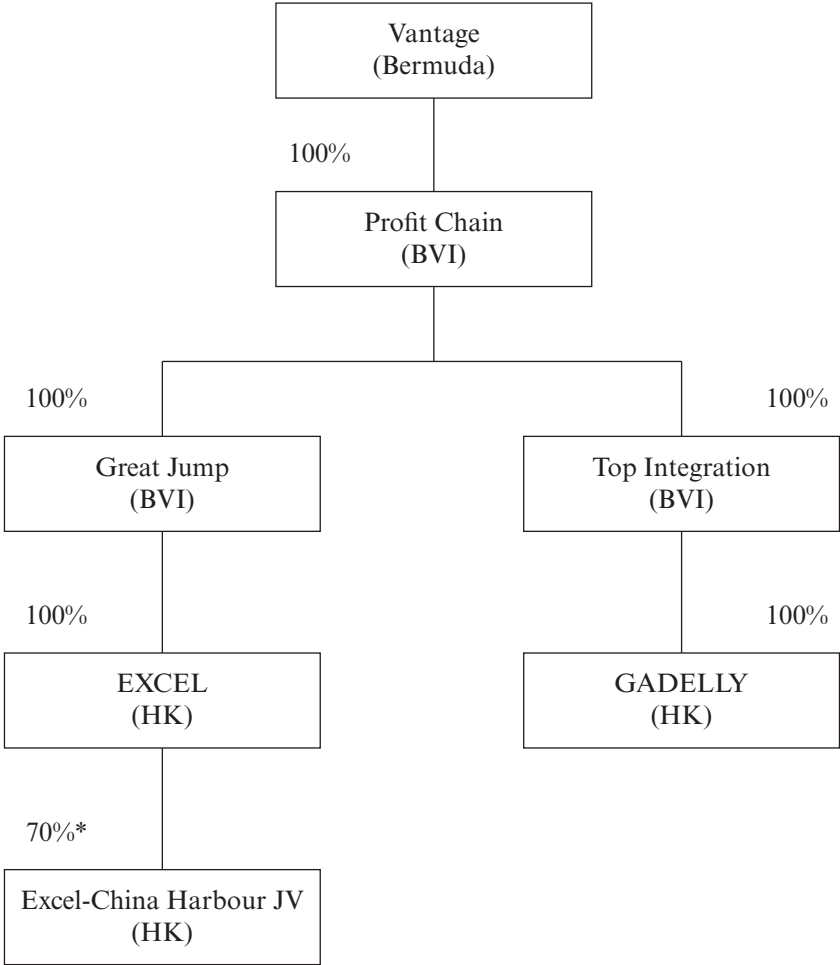
- (a) our Company, Best Trader, Great Jump and Top Integration, being investment holding companies; and

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- (b) EXCEL, Excel-China Harbour JV and GADELLY, engaged in, civil engineering construction works in the public and private sectors in Hong Kong, including (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works as well as building construction and maintenance works.

The shareholding structure of our Group immediately prior to the Reorganisation was as follows:



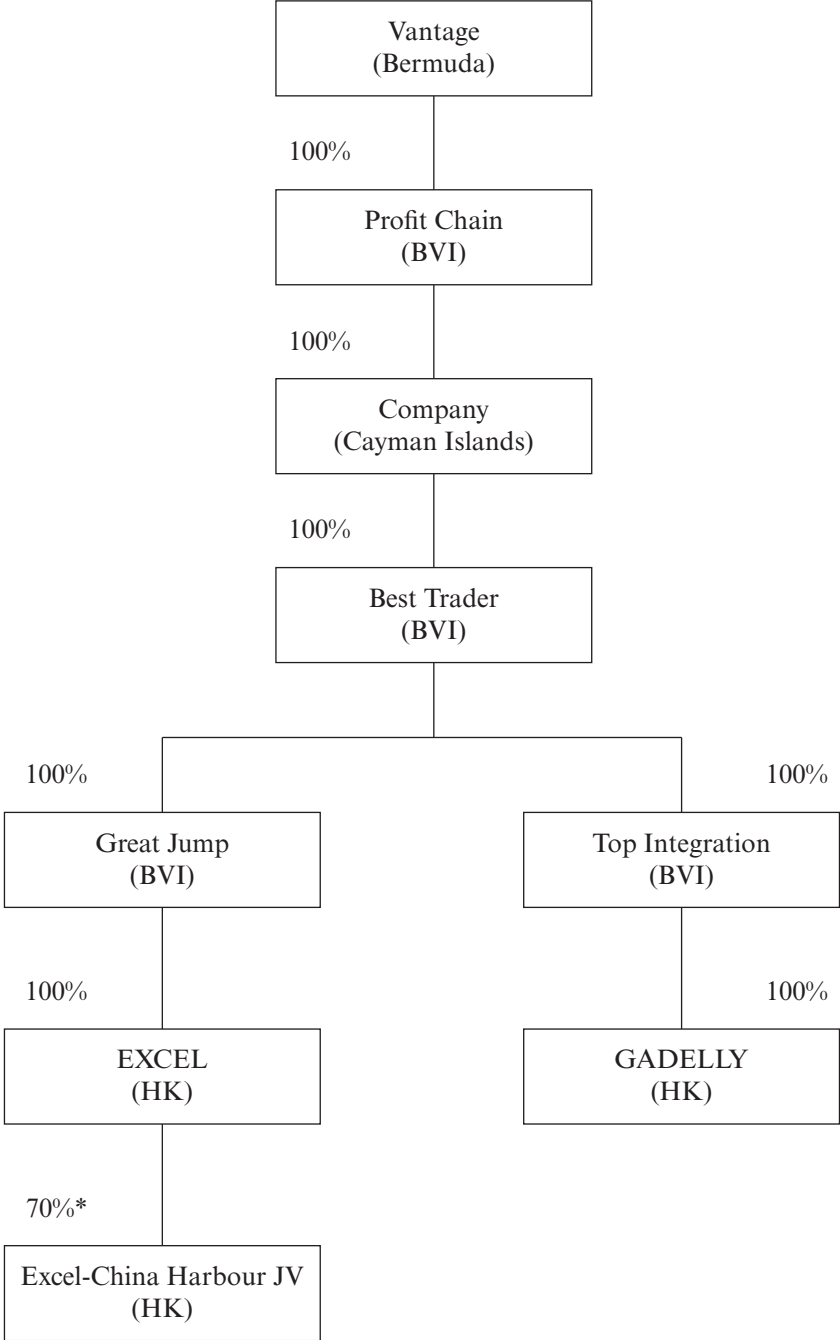
Note:

* EXCEL has a 50% voting power in Excel-China Harbour JV. 70% of the ownership interest and 70% of the profit of Excel-China Harbour JV are shared by EXCEL.

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The shareholding structure of our Group immediately after completion of the Reorganisation but before completion of the [•] and Capitalisation Issue was as follows:



Note:

* EXCEL has a 50% voting power in Excel-China Harbour JV. 70% of the ownership interest and 70% of the profit of Excel-China Harbour JV are shared by EXCEL.

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[•] by Vantage

On 3 July 2013, Vantage announced, among others, that on 3 May 2013, it had submitted a [•] proposal to the [•] pursuant to [•] of the [•] in relation to the proposed [•] of our Company [•] and that the [•] had, on 4 June 2013, granted approval on the [•] proposal and confirmed that Vantage may proceed with the [•]. In the same announcement, Vantage also announced, among others, that the [•] would be expected to constitute a deemed disposal under [•] of the [•] and a discloseable transaction of Vantage. Accordingly, the [•] would be subject to the [•].

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BUSINESS OVERVIEW

We are a main contractor providing both civil engineering and building construction services to the public and private sectors in Hong Kong in which civil engineering construction works is the core business of our Group. We are particularly active in civil engineering waterworks. We have established a strong reputation through our over 37 years’ experience and 4 years’ experience in the civil engineering construction industry and the building construction industry in Hong Kong respectively. We are an approved contractor and our customers include various departments of the Government such as WSD, Drainage Services Department and Highways Department. Our customers also include certain public utilities companies, non-governmental and private organisations in Hong Kong.

Some of our key civil engineering construction projects completed during the Track Record Period include:

- Replacement and rehabilitation of water mains stage 2 — mains in Tsuen Wan (19/WSD/06);
- Replacement and rehabilitation of water mains stage 1, phase 2 — mains on Hong Kong Island (15/WSD/05);
- Main contract for upgrading of electricity supply to Lok Man Sun Chuen in To Kwa Wan;
- Improvement to Hong Kong Central mid-level and high-level areas water supply — Remaining works, construction of service reservoirs, pumping stations and associated main laying (5/WSD/07); and
- Civil engineering works term contract for HKT Group in laying of ducts, cables and construction of jointing chambers and related facilities for telecommunication networks.

Our only private residential building construction project completed during the Track Record Period was MOS Project.

For details of the above construction projects, please refer to the paragraph headed “Completed Projects” of this section.

As a main contractor, we offer construction services that encompass the procurement of materials and equipment, selection of sub-contractors to on-site supervision, work progress monitoring and overall co-ordination of the day-to-day work of the project. Our civil engineering construction services are mainly applied to (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works, for the public and private sectors in Hong Kong. Our building construction services are applied to carcass works for private residential

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BUSINESS

development in Hong Kong. To a lesser extent, we are also engaged in building repairs and maintenance works, which only contributed approximately 0.05%, 0.03%, 0.10% and 0.33% of our total revenue respectively during each of the three years ended 31 March 2013 and the four months ended 31 July 2013.

Below is a list of some of the civil engineering construction projects undertaken by us in our operating history:

- Basement construction and design and construction of piled foundations for Building 5, Science Park at Pak Shek Kok, New Territories;
- Construction of village flood protection works for Pok Wai, New Territories and stormwater intercepting drain for Wang Chau, New Territories;
- Construction of permanent public transport terminus at Tin Yan Road contract for the proposed government, institution and community/public car park and residential development at Tin Shui Wai, New Territories;
- Reconstruction of catchwater channels and upgrading of adjoining priority slopes on Hong Kong Island and Lantau Island;
- Site formation works for wind turbine in Lamma Power Wind Station; and
- Laying of ducts, cables and construction of jointing chambers and related facilities for HKT Group’s telecommunication networks in Hong Kong Island, Kowloon, New Territories and Outlying Island for 30 years.

Below is a list of all of the building construction projects undertaken by us, details of which are set out in the paragraphs headed “Completed projects” and “Projects in progress” respectively, in our operating history:

- MOS Project (completed in March 2011); and
- TW7 Project (commenced in August 2011 and expected to be completed in mid-2014).

We completed a total of 9 projects during the Track Record Period. 8 of such projects are civil engineering construction projects while the remaining one is a building construction project, namely MOS Project. As of 31 July 2013, we had 13 significant projects in progress, including 5 projects with the public sector and 8 projects with the private sector, the largest of which by contract sum was TW7 Project, a private residential building construction project which has been sub-contracted to our connected person, Able Contractors. All such significant projects in progress, except TW7 Project, are civil engineering construction projects. The total contract sum of our projects in progress was approximately HK\$3,885 million as at 31 July 2013, of which the contract sum of our building construction project in progress was approximately HK\$1,605 million and the contract sum of our civil engineering projects was approximately HK\$2,280 million.

BUSINESS

The total amount not yet been recognised as revenue for our projects in progress as at 31 July 2013 was approximately HK\$1,703 million, of which the amount not yet been recognised as revenue from building construction project was approximately HK\$494 million and the amount not yet been recognised as revenue from civil engineering projects was approximately HK\$1,209 million.

OUR COMPETITIVE STRENGTHS

With an operating history of over 37 years in the civil engineering construction industry, our Directors believe that our Group, with its experienced management team and extensive experience in implementation of civil engineering construction works, has established a reputation in the civil engineering construction industry in Hong Kong. In particular, our Directors believe that our Group possesses the following competitive strengths:

- **Established operating history and track record in civil engineering construction projects**

We have established a strong reputation in civil engineering construction works through our 37 years’ experience in the civil engineering construction industry in Hong Kong. Our Group commenced operations in Hong Kong in 1976. We are an approved contractor and hold confirmed Group C licence on waterworks category and probationary Group C licence on roads and drainage category issued by the WBDB. Over the years, our Group has completed major civil engineering waterworks projects and been able to secure contracts as main contractor for the construction or maintenance of various waterworks infrastructure, undertaking various waterworks engineering services in different operational regions of WSD, including Central, Kwai Tsing, Kwun Tong, Lantau Island, Tsuen Wan, Wan Chai and Wong Tai Sin.

We believe that our good reputation in civil engineering waterworks, our successful completion of numerous waterworks projects in Hong Kong, our possession of the requisite licences to undertake these works and our capability of delivering our job on time and to the satisfaction of our customers give us a competitive edge in pursuing new opportunities with the Government.

Further, we believe our strong reputation in the civil engineering construction industry and experience of working on Government projects have led to us being included in a selected group of contractors to whom the private sector utilities companies such as HKT Group and Company C make invitations to bid for their projects. We are one of the contractors of HKT Group and have been undertaking work in the laying of ducts, cables and construction of jointing chambers and related facilities for telecommunication networks in Hong Kong Island, Kowloon, New Territories and Outlying Island for HKT Group since 1983. During the year ended 31 March 2012, our Group was awarded certain contracts by HKT Group for the provision of telephone and broadband installation and the provision of works for integrated blockwiring infrastructure. We believe that the established operating history of our Group supports our Group in establishing its reputation and will assist our Group in tendering future contracts.

BUSINESS

- **Well-positioned to capture the emerging business opportunities**

As the Government is committed to implementing the policy objective of promoting economic development through investment in infrastructure development, such policy has brought sustained impetus to the construction industry and the economy of Hong Kong. With the commencement of various major infrastructure projects, the expenditure on capital works has risen progressively from approximately HK\$26.6 billion in 2007/08 to approximately HK\$52.5 billion in 2011/12. According to the Government’s Budget 2013/14, it is estimated that capital works expenditure will increase to over HK\$70 billion for each of the next few years.

According to the latest population projections in NENT, there will be an increase of about 1.4 million people in the coming 30 years. There is a strong demand for land for housing and economic development. To tie in with future development, the NDAs in NENT will be developed in phases with the entire NENT NDA project expected to be completed by 2031.

In addition, WSD is also targeting the production of reclaimed water for toilet flushing and other non-potable uses. WSD anticipates providing this water to residents in Sheung Shui, Fanling and the NENT NDAs for toilet flushing and other non-potable uses. Apart from this, WSD is also liaising with other Government departments to implement trial schemes on recycling of grey water and harvesting rainwater.

In view of the increasing public expenditure on infrastructure and NDAs projects and our experience in the industry with the possession of the requisite licenses for Government’s projects, we consider that our Group is well positioned to capture the emerging business opportunities as our Directors believe such infrastructure projects would expectedly involve waterworks, roads and drainage and other civil engineering construction works at some stage.

Our Directors also believe that our Group will be benefited from its proven track record of participation in the existing R&R Programme launched by WSD and other waterworks contracts and its experienced management team in having an edge to capture the emerging business opportunities from WSD.

- **Consistent delivery of high quality services through stringent quality assurance and strong commitment to high safety standard and environmental impact control**

Our Group has adopted a set of stringent quality assurance measures which comprise of monitoring, verifying and validating the construction, installation works and materials to ensure that high quality civil engineering construction works are delivered to our customers. In recognition of the quality assurance procedures in place, the quality management systems of EXCEL and GADELLY were accredited with the ISO 9001 certificates in 1994 and 2001, respectively.

BUSINESS

At material procurement stage, to ensure consistency in the quality of the materials purchased, purchase orders shall only be placed with companies which are on our list of authorised material suppliers. Further, before a supplier is admitted to our list of authorised material suppliers, we have to assess its background or job references to ascertain the reputation of the supplier in the market as well as the stability of the material supplier. When the materials are delivered to the site, site engineer is responsible for ensuring that the purchased materials or products meet the specified requirements. For materials or products that require further inspection or testing, project manager is required to conduct further inspection and sign off the delivery.

During the project implementation stage, we will conduct inspection on all works on a regular basis to ensure that the works performed by us comply with the requirements as set out in the relevant contract. Under normal circumstances, a further inspection will be conducted together with the representative of the engineer or architect appointed by the customer before application for interim payment.

We have set up an occupational health and safety management system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. Further, we have also set up an environmental management system to promote environmental awareness and to prevent pollution of the environment resulting from our civil construction works. As a result, our occupational health and safety management system has been certified compliance with OHSAS 18001 by ACIL and our environmental management system was accredited by ACIL with ISO 14001 certification.

We believe that our stringent quality assurance system and strong commitment to environmental and occupational health and safety management will allow us to be better positioned to deliver quality works on time and within budget to customers and thereby enhancing our reputation as a quality and reliable civil engineering construction company.

- **Systematic and effective tender review procedure**

We adopt a systematic tender review procedure to price our tenders in which our Directors and our engineering manager will work together to ensure that we are able to submit a tender proposal at a competitive price with adequate profit margin.

Our systematic tender review procedures involve (i) a feasibility study on the technical requirements, completion time, quality expectation and possible risks involved with the project to determine whether a tender proposal is to be made; (ii) our engineering manager visiting site and examining the site to assess the surrounding and ground conditions so that he can work out the outline construction method, site set up and resources capability for the works; and (iii) our Directors finalising the pricing based on their experience and market knowledge.

BUSINESS

We believe that such systematic tender review procedure will ensure that we are able to allocate manpower more efficiently, select the more appropriate sub-contractors and procure materials more appropriately for the potential projects and thereby allowing us to submit competitive tender proposals.

- **Long-standing relationship with sub-contractors**

We believe that, throughout our operating history, we have established good and long-standing business relationships with a team of sub-contractors that can constantly provide quality construction services to us and assist us to complete each project efficiently. Our Group has maintained over 30 sub-contractors on our Group’s list of authorised sub-contractors, some of which have been working with our Group for at least 7 years. We believe that such long business relationships with sub-contractors can facilitate the timely completion of projects and are crucial to the day-to-day business operations and the future business development of our Group.

- **Experienced management team**

Our Group’s performance and success are, to a significant extent, attributable to the expertise and experience of our key management personnel. Our core management team is led by our executive Director, Mr. Li Chi Pong, who has been a director of EXCEL since 1988 and has over 30 years’ experience in handling civil engineering construction projects. He is responsible for the overall business planning, corporate strategy and operation of our Group. Mr. Poon Yan Min, our executive Director, has over 25 years’ experience in the construction of road and drainage, site formation, waterworks and building works and is responsible for the implementation of works and the overall management of contracts. In addition to these executive directors who have been in charge of the business development of our Group over the years, our Group also has a professional management team with members having strong academic background and industry experience. We believe the extensive experience and in-depth knowledge of our management team in the civil engineering construction industry, as well as their ability to select projects that can be profitable and enhance our profile has enabled us and will enable us to continue to expand our business.

For the biographical details of our management team, please refer to the section headed “Directors, Senior Management and Employees” of this document.

BUSINESS STRATEGIES

Our business objectives are to achieve sustainable growth in our businesses and to create long-term shareholder’s value. As our Group will not take up any new building construction projects and maintenance works, and will cease all building construction and maintenance business upon completion of TW7 Project, in this connection, we intend to maintain our position as one of the leading civil engineering construction companies in Hong Kong and to continue to build on our existing competitive strengths stated above.

BUSINESS

To achieve our business objectives, we intend to pursue the following business strategies:

- **Strengthen our Group’s growth in civil engineering construction businesses**

With our strong track record in waterworks civil engineering construction business in Hong Kong, we plan to continue building on our current business relationships with our existing clients in Hong Kong. In addition, we will continue to selectively undertake new projects by the Government and other sizeable utilities companies in Hong Kong. More importantly, we will continue to focus on providing quality civil engineering construction works to our clients in a timely manner, which we believe will also help to strengthen our clients’ confidence in us and the business relationships that we have built over the years.

Not only will the existing R&R Programme launched by WSD (details of which are set out in the section headed “Industry Overview” of this document) continue to provide waterworks opportunities to our Group, our Directors believe that the infrastructure and NDAs projects being currently implemented or to be implemented by the Government will expectedly involve waterworks, roads and drainage works and other civil engineering construction works at some stage. Such public works will also create numerous business opportunities to our Group in the coming years. Our Directors believe that the civil engineering construction industry has significant market potential and promising prospects. We intend to make use of our competitive strengths by continuing to improve our quality of services and competitiveness to capitalise on the trend of increasing civil engineering construction works projects in Hong Kong in the coming years to further strengthen our Group’s business growth.

- **Further enhancement in work quality and project safety**

Our Directors believe that our Group’s success depends considerably on its ability to deliver works of high quality under a sound safety system. Our Directors consider that maintaining work quality and providing a safe and healthy working environment are of utmost importance to our Group’s ongoing development in the civil engineering construction business. In order to uphold the work quality of our Group and enhance our Group’s safety system, our Directors plan to recruit additional personnel to strengthen the quality assurance and safety team of our Group.

- **Maintain a disciplined financial strategy**

Our Group will continue to maintain a disciplined financial strategy in its business operations. Our Group has maintained a strong statement of financial position in terms of a prudent net gearing ratio. We intend to continue to maintain such strong statement of financial position without exposing to aggressive gearing in order to achieve sustainable growth in the long term. We also intend to continue to actively manage our project construction process to ensure sufficient cash generated internally for our ongoing capital needs. Our Directors believe that a prudent financial management in capital commitment could provide reasonable return for shareholders steadily while ensuring our continued growth in the long term.

BUSINESS

- **Attract, motivate and develop talented and experienced staff**

Our Directors believe a key to our success is our ability to recruit, retain, motivate and develop talented and experienced staff members. In particular, we intend to continue to focus on the recruitment and cultivation of a high-quality and professional workforce in a competitive human resources market. We also intend to continue to provide a working environment that promotes our employees’ personal and professional development.

OUR BUSINESSES

As a main contractor, we provide mainly (i) civil engineering construction services; (ii) building construction services; and to a lesser extent (iii) building maintenance services.

Our civil engineering construction services are mainly applied to (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works, for the public and private sectors in Hong Kong. Our building construction services are applied to carcass works for private residential development in Hong Kong. To a lesser extent, we are also engaged in building repairs and maintenance works for non-governmental organisations in order to maximise the utilisation of our resources.

Civil engineering construction works

Waterworks

Waterworks include construction and maintenance of water mains, service reservoirs, pumping stations, water tanks, treatment works, watercourses for distribution systems and other related construction works. These services may also involve several civil engineering constructions ranging from simply open trench excavation to particular trenchless construction methods such as pipe jacking, horizontal directional drilling and tunneling, etc.

Roads and drainage works

Road works include construction of road interchange, carriageway and walkway, footbridge and traffic link bridge, road improvement and widening works, etc., while drainage works include flood prevention works, construction drainage channel, outfall pipe, box culvert and pumping station, etc. Both road and drainage construction include associate scope of landscaping, utilities diversion as well as electrical and mechanical works.

Landslip preventive and remedial works to slopes and retaining walls

Landslip preventive and remedial works to slope involve slope stabilisation and upgrading works which include engineering inspection, retaining wall construction, cut and fill slope, soil nailing, surface drainage construction, slope surface treatment with high pressure grouting and spraying, landscaping, etc.

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Utilities civil engineering works

Utilities civil engineering works include trench work for cables and ducts laying, construction of jointing chambers and associated facilities for telecommunication and electrical cable networks.

Building construction and maintenance works

Our Group provides building construction services which are applied to carcass works for private residential development. The aggregate value of building construction works accounted for approximately 55.06%, 30.86%, 53.23% and 66.20% of the total revenue of our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively.

Our Group is also engaged in building maintenance works for non-governmental organisations in order to maximise the utilisation of resources. However, these projects were minor in terms of scale and value. The aggregate value of building maintenance works only accounted for approximately 0.05%, 0.03%, 0.10% and 0.33% of the total revenue of our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively.

Our building construction and maintenance business which shall be ceased

During the whole history of our operation, we were engaged in only two private residential building construction projects. The principal reason for our engaging in private residential building construction projects was in relation to the overall strategies and considerations of the Vantage Group, in particular, on diversification of risks and establishing track records on different nature of construction projects among member companies. As the Retained Vantage Group has been engaged in building construction projects and possesses the relevant expertise and technical experience, it was then decided for us to sub-contract the two private residential building construction projects to the Retained Vantage Group.

The two private residential building construction projects that we have undertaken are MOS Project which was completed in March 2011 and TW7 Project which commenced in August 2011. In addition to building construction, we were also engaged in certain relatively minor building maintenance works in terms of scale and value during the Track Record Period. We shall not take up any new building construction projects and maintenance works, and shall cease all building construction and maintenance business upon completion of TW7 Project.

For more information regarding the above projects, please see the sections headed “Connected Transactions” and “Relationship with Controlling Shareholders” in this document.

BUSINESS

As part of the effort to ensure clear delineation of business activities between our Group and the Retained Vantage Group after the [•], our Group will continue to focus on civil engineering construction business which is our core business and shall cease to engage in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014. We will continue TW7 Project until its completion in order to fulfill our obligations under the relevant project contract. Further financial information relating to our building construction and maintenance business are set out in the paragraph headed “Our building construction and maintenance business which shall be ceased” in the section headed “Financial Information” in this document.

Further, there will be mechanisms in place to ensure a clear delineation between the retained business of the Retained Vantage Group and the civil engineering construction business of our Group after the [•] by way of Vantage entering into a Deed of Non-competition with us. For more details on the Deed of Non-competition, please refer to the section headed “Relationship with Controlling Shareholders” in this document.

Although we will cease to engage in building construction and maintenance works which had significant contribution to our revenue during the Track Record Period, our Group has managed to grow our principal business of civil engineering construction in its 37-years’ track record and was able to generate the majority of our profit from our civil engineering construction business during the Track Record Period. In that regard, our Directors believe that our Group will be able to continue sustainable business development by focusing on our civil engineering construction after the [•].

TENDERING FOR PUBLIC SECTOR PROJECTS

Contracts in the public sector in Hong Kong are normally awarded through open and competitive tendering procedures with a view to obtaining the best value for money. Tenders may be invited in the following ways:

(i) Open tendering

Tender invitations are published in the Government Gazette and, if necessary, in the local press, on the internet and in selected overseas journals. Consulates and overseas trade commissions will also be notified where appropriate. All interested contractors/suppliers are free to submit tenders.

(ii) Selective tendering

Tender invitations are published in the Government Gazette or are sent by letter to all contractors/suppliers on the relevant Contractor List or Specialist List as maintained by the WBDB for the purpose of selective tendering.

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(iii) Prequalified tendering

Tender invitations are published in the Government Gazette and, if necessary, in the local press and in selected overseas journals. Invitation letter will be sent to consulates and trade commissions in Hong Kong and known contractors/suppliers where appropriate. This tendering method will be used in circumstances which require the prequalification of a list of tenderers which financially and technically are capable of undertaking a particular type of project or supplying a particular product, and the use of this method must be approved by the Permanent Secretary for Financial Services and the Treasury. Projects tendered by this method may require pre-testing of equipment of contractor/supplier to determine its suitability or may be extremely complex in nature.

(iv) Single and restricted tendering

Tender invitations are sent to only one or a limited number of contractors/suppliers approved by the Permanent Secretary for Financial Services and the Treasury or the Director of Government Logistics. This tendering method is only used when circumstances do not permit open tendering, for example, on grounds of extreme urgency or security, for proprietary products or for reasons of compatibility.

Construction services are procured by the individual works departments concerned under the general supervision of the WBDB. In general, procuring departments are required to provide in the tender documents all the necessary information to assist the bidders to prepare their tenders, including standard contract forms covering the general aspects of tender and contract requirements, special conditions of contract, detailed price schedules, additional information and instructions applicable to a particular contract. The procuring department is responsible for evaluating the tenders to determine whether they meet the conditions and specifications laid down in the tender document.

Tenders are generally evaluated by the formula approach or the marking scheme approach. These two methods basically involve a systematic evaluation of the tenderers' experience, past performance record and particular technical ability. The formula approach is applied for general work projects, while the marking scheme approach is generally used for non-recurring and relatively more complicated projects which require evaluation on particular ability and past experience on the contractor candidate. Both approaches take into consideration the quality of work of the tenderers in addition to their financial bids. Therefore, the contract is not necessarily awarded to the lowest bid.

Public sector projects are sometimes contracted out by the main contractors to sub-contractors and such sub-contractors may also be awarded by way of tenders or upon private invitation. The selection criteria and process for sub-contracting are determined by the main contractors.

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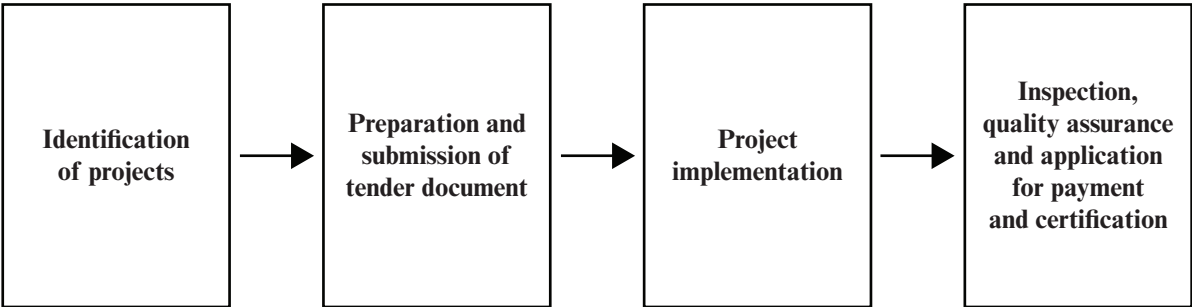
TENDERING FOR PRIVATE SECTOR PROJECTS

In the private sector, tenders are usually submitted upon private invitation and the contracts are awarded at the discretion of the clients. Contractors for the private sector are in general not required to satisfy the licensing requirements that are applicable to the undertaking of contract works for the public sector. However, for substantial projects implemented by well-established organisations, invitations are usually given to selected contractors or specialist contractors which are licensed by the Government under the respective categories. In addition to the competitiveness of the price quoted by the contractors, the job experience and track record of the contractors are also the key determining factors in awarding a contract. In selecting sub-contractors, the main contractors, either for private or public projects, may adopt similar selection processes.

PROJECT WORKFLOW

The customer base, required technical expertise and relevant regulatory licences and qualifications relating to civil engineering construction business and building construction and maintenance business may differ, but since both businesses share essentially the same fundamental nature of being construction works, the relevant project workflows and our procedures for project execution for both businesses are essentially the same.

The key steps of our project work flow are as follows:



Our Group’s operation principally involves identification of projects, preparation and submission of tender document, project implementation and inspection and quality assurance and application for payment and certification. Our projects essentially concern with management of works contracts.

The actual works undertaken by us and the duration of the works commencing from the time of identification of project and award of the contract to the completion of the civil engineering and building construction and maintenance works may vary according to the nature of the works contracts.

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Identification of projects

Projects are generally identified via our Directors or engineering manager reviewing Government Gazette on a weekly basis, on which tender invitations from different Government departments are published. The contents of a tender notice includes brief description of the works required, expected commencement date and contract period, contact details of the office which issues the tender notice and further particulars of the project and the closing time of the tender may be obtained.

As for private sector customers, we keep track of the latest published tender notices from the website of our existing and potential customers. We may also be informed of projects subject to tender by receiving invitation letters or through telephone directly from private sector customers.

Preparation and submission of tender document

We adopt a systematic tender review procedure to price our tenders. Our Directors are principally in charge of all the tenders. Our Directors believe a systematic tender review procedure is crucial to our business because most of our projects are secured through competitive tendering and such review procedure allows us to budget for a project efficiently and accurately. Further, our ability to allocate plant and machinery and manpower resources efficiently, select the appropriate sub-contractors, procure materials and estimate and stay within construction costs will determine, a large extent, whether we are able to submit tender proposal at a competitive price with adequate profit margin and maintain our profitability. The tender price is very important, particularly for private sector projects because once the tender price is fixed, the contractor will have to bear any additional cost incurred.

For certain public sector projects, there is a price adjustment mechanism (both upward and downward adjustments) pursuant to which the fees that we would receive from the Government under a contract would be adjusted (both upward or downward) for changes in certain costs to a certain extent after the tender price is fixed with reference to certain price indices such as those published by the CSD. The price adjustment mechanism is more particularly described under the paragraph “Payment terms” under this section.

Pre-qualification

For projects requiring particular specialty on the part of the main contractor or for large-scale projects, we are required to make pre-qualification submission so as to allow the customer to assess our eligibility to tender. Our Directors believe that different factors, including our organisation and resources, past job experience, proposed human resources for the project, proposals for undertaking the project and safety and environmental protection track records, may be considered by the customers in the assessment.

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Tender review and preparation process

Once we receive the tender documents, we will assess the feasibility of undertaking such project based on the technical requirements, completion time, quality expectation and possible risk factors associated with such project. We will also consider the identities of parties that will be entering into the contract with us in order to assess our credit risk.

The engineering manager reviews the requirements related to the projects in tender documents in order to ensure the requirements are adequately defined and that we have the capability to meet the defined requirements before submission of tender. Our engineering manager will also visit the site at which the project is to be taken in order to conduct a better assessment on the complexity of works to be involved. Based on such examination, he will then work out the outline construction method and the site set up for carrying out the works in an efficient and cost-effective manner. After site visits, the engineering manager will draw up a detailed analysis on the technical and financial aspects of the project by taking into consideration, among other things, the expected complexity of works to be involved, the estimated amount and costs of the required materials, the technical skills to be required and the expected time of delivery. After completion of such analysis, a meeting will be arranged with our Directors for tender review.

During the meeting in reviewing the tender, our Directors will decide on the adopted outline method, site setup and review the costings, finance and resource capabilities. They will, based on their experience and market knowledge, consider whether the tender is competitive in terms of pricing whilst certain level of profitability can be achieved during their review of the tender documents. Upon finalising the bill of quantity and other documents required for submission, our Group will submit the tender documents to the relevant counterparty. The engineering manager takes the overall lead in the entire tender process and follows up with the potential customers on their requirements and the details of our tender.

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Tenders submitted during the Track Record Period

The table below sets out the number of projects tendered for and won by our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively by project nature:

	Building construction and maintenance works	R&R Programme related civil engineering works	Other civil engineering works	Total
For the year ended 31 March 2011				
Total number of projects tendered for	20	3	43	66
Total number of projects won	0	1	4	5
Success rate	0.0%	33.3%	9.3%	7.6%
For the year ended 31 March 2012				
Total number of projects tendered for	12	8	35	55
Total number of projects won	2	1	2	5
Success rate	16.7%	12.5%	5.7%	9.1%
For the year ended 31 March 2013				
Total number of projects tendered for	11	3	42	56
Total number of projects won	1	1	3	5
Success rate	9.1%	33.3%	7.1%	8.9%
For the four months ended 31 July 2013				
Total number of projects tendered for	8	0	9	17
Total number of projects won	0	0	1	1
Success rate	0.0%	0.0%	11.1%	5.9%

Our Group’s strategy is to submit tenders for various projects, including those we are less keen to obtain the award of the relevant contracts. This is to keep our presence in the market in order to remain on the Contractor List and tender invitation list of our private sector customers, as well as to keep abreast of latest market requirements and pricing which is useful in tendering similar projects in future. Such strategy has resulted in relatively low overall tender success rates of our Group during the Track Record Period as set out in the table above.

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In October 2013, we were awarded with a new contract regarding the provision of civil works for cable circuit improvement for certain areas of the Central and Western District of the Hong Kong Island for Company C at a contract sum of approximately HK\$41.9 million.

Project implementation

The implementation process includes formation of a project management team, procurement of materials and equipment (if necessary), selection of sub-contractors (if necessary). Throughout the project implementation process, we generally assume the role of co-ordinating with customers, and with our sub-contractors and material and equipment suppliers and to take charge in the overall management of these works.

Formation of a project management team

Once a contract is awarded, a project management team will be formed which generally comprises a contracts manager, a project manager, foremen and a number of technical staff chosen by the project manager. Such project management team will prepare a detailed plan for the execution of the works. The contracts manager has the overall responsibility for the contract and has to ensure that all the requirements set out in the relevant contract document and our internal regulations are being complied with including but not limited to working out the construction method, the material requirements and delivery programme as well as preparing plans on site safety and project quality and assessing safety and environmental risks with the project manager.

The project manager will be responsible for all activities on site and ensure that the day-to-day works and site operations of the project comply with the requirements of the contract and our Group’s quality management system. The project manager is also responsible for planning, coordinating and implementing site activities through discussion and liaison with the contracts manager, sub-contractors and the customer’s representatives on matters including but not limited to site mobilisation, recruitment of labour, developing detail programme for the works, agreeing on constructing methods and works arrangement and identifying safety hazards and environmental risks. The project manager also works out the plant requirements and the period of required use for the completion of the project with the assistance of the site engineer.

The contracts manager and project manager work closely together to ensure the successful implementation of a project.

All of our contract managers and project managers are qualified professionals with over 10 years of experience in the civil engineering construction industry. Further, some of our contract managers and project managers are qualified professionals with over 4 years of experience in the building construction industry.

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Procurement of materials and equipment

When our Group is awarded a contract, purchase orders for the major materials and equipment required are planned and placed according to project progress as requested by the sub-contractors engaged by us in the relevant projects. Our Group is responsible to complete material planning at the commencement of a project with the objectives of ensuring specific materials are delivered ahead of time, bulk materials are secured and material expenditure and waste are under control. Our material plan includes details of the material supplier, total quantities required and the schedule programme for delivery.

The principal materials used by our sub-contractors include pipes and fittings, concrete and steel. To ensure consistency in quality, purchase orders shall only be placed with companies which are on our list of authorised material and equipment suppliers. Before a material or equipment supplier is admitted to our list of authorised material and equipment suppliers, we will assess its background or job references in order to ascertain the reputation of the material or equipment supplier in the market as well as the stability of the material or equipment supplier. We also regularly review our authorised material and equipment suppliers list to ensure that our Group is able to maintain a diversified base of reliable material suppliers for the required materials at competitive prices.

Generally, we will purchase certain construction materials and equipment for the use of the sub-contractors. The relevant costs of the materials and equipment will be reimbursed by our sub-contractors to us and be deducted accordingly from the sub-contracting fees in accordance with the sub-contracting agreements/arrangements for all our projects where we purchase construction materials and equipment for the use of our sub-contractors. As the sub-contractors are responsible for providing the required construction workers, construction workers labour costs are generally borne by our sub-contractors. Accordingly, in general, subsequent changes in the costs of such materials, equipment and construction workers labour will not affect the agreed sub-contracting fees. In addition, some of the Government contracts provide for a contract price adjustment mechanism (both upward and downward) in relation to certain changes in various costs components including wages of workers and average wholesale prices of selected materials during the relevant contract period. To a very significant extent, volatility in the prices of materials and labour costs is generally absorbed by our sub-contractors according to the terms of the relevant sub-contracting agreements/arrangements for all our Group’s private and Government contracts, or compensated by the Government through the price adjustment mechanism implemented in our Group’s Government contracts. Therefore, the Directors are of the view that any impact of the volatility in the costs of materials, labour and equipment to our Group’s profitability is not significant.

We usually enter into supply contracts with our material suppliers on a project basis and in general, the term of such supply contracts mirror the contract period for the relevant project. We have built up business relationships with some of our major material suppliers for more than 6 years. Our Directors believe that our Group has established good relationship with our material suppliers and do not anticipate any difficulty in sourcing the required materials and equipment in the future.

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Selection of sub-contractors

Due to licensing requirements and the level of complexity of the work in the projects undertaken by us, in all of the contracts undertaken during the Track Record Period, we act as the main contractor, and delegate parts of the construction works to our sub-contractors. It is common industry practice in Hong Kong for main contractors to delegate parts of the construction works to sub-contractors. With the use of sub-contractors, we can undertake labour intensive works as well as works involving specified construction skills through a significant pool of workers and technical staff in a wide variety of specific skills without the need for keeping them under permanent employment and thereby bringing economical benefits to our Group. Sub-contractors are not subject to any licensing requirements in Hong Kong. However, many of them are registered on a voluntary basis under the list of registered sub-contractor maintained by the Construction Industry Council in Hong Kong.

We maintain a good and long-standing working relationship with our sub-contractors. Some of our sub-contractors have working relationships with us for more than 7 years. The long-standing relationships with our sub-contractors enable us to conduct comprehensive assessment of our sub-contractors over the years, ensuring the quality of works in the long run.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, our Group’s sub-contracting fees amounted to approximately HK\$604 million, HK\$625 million, HK\$945 million and HK\$616 million, respectively. During the same period, our Group’s largest sub-contractor accounted for approximately 62.7%, 34.0%, 54.9% and 69.6% of our Group’s total sub-contracting fees and our Group’s five largest sub-contractors accounted for approximately 96.2%, 95.0%, 98.9% and 99.4% of our Group’s total sub-contracting fees respectively.

For details of our Group’s five largest sub-contractors, please refer to the paragraph headed “Suppliers” in this section.

Civil engineering works sub-contracting arrangement

For our civil engineering construction works, a set of strict criteria for sub-contractors based on their previous job experience, skills for specialised job, resource capabilities, performance records, present work load and their price quotations are considered by us in making sub-contracting arrangements. We maintain a list of authorised sub-contractors which is reviewed and updated on an ongoing basis. Generally, we select the sub-contractors to undertake our civil engineering construction works out of our list of authorised sub-contractors for cooperating with us in particular projects based on their prices, past performance, work expertise and the contract size through competitive tendering process. We implement regular assessment of our sub-contractors during the course of a project to ensure quality of their works. As at the Latest Practicable Date, our Group has maintained over [30] Independent Third Party sub-contractors on our list of authorised sub-contractors, and accordingly we do not foresee any difficulties in finding

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substitute sub-contractors if necessary. During the Track Record Period, our Group had not experienced any incidents whereby our sub-contractors have caused delay in completing the required services which resulted in material adverse impact on our operations or financial position.

The sub-contracting agreements entered into between us and sub-contractors generally contain the following major terms and conditions:

- Sub-contracting fee;
- Rights and obligations of the parties;
- Restriction of sub-contractor from further assignment or sub-contracting of works without our prior permission;
- Conditions under which we may terminate the sub-contracting agreement, including (i) the sub-contractor abandons or suspends carrying out of the works without reasonable cause; and (ii) the sub-contractor is repeatedly not in compliance with the sub-contract terms and relevant laws, rules and regulations;
- Undertaking by sub-contractor to indemnify our Group against any loss, expense or claim arising from the negligence, misconduct, or failure to comply with sub-contracting agreement by the sub-contractor and/or its employees; and
- In case of non-compliance of the relevant safety, health and environmental standards by the sub-contractor, in general the relevant sub-contractor has to pay charges to our Group in accordance with pre-determined rates and our Group has the right to prohibit the employees of the relevant sub-contractor from entering into the construction sites for non-compliance of procedures or laws.

Further, the material terms of the sub-contracting agreements entered into between us and the sub-contractors reflect the terms of the main contracts entered into between us and our customers and such sub-contracting agreements also explicitly state that the respective sub-contractors are required to observe all the requirements and provisions of the relevant main contracts entered into between us and our customers or have provisions to a similar effect.

Generally, our Group will purchase certain construction materials and equipment for the use of the sub-contractors. The relevant costs of the materials and equipment will be reimbursed by our sub-contractors to us and be deducted accordingly from the sub-contracting fees in accordance with the sub-contracting agreements.

Our sub-contractors are neither our employees nor agents and we are not a party to the employment arrangement between our sub-contractors and their employees.

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Building construction sub-contracting arrangement

We sub-contract our building construction works during our Track Record Period to our only building construction sub-contractor, Able Contractors, which is a connected person of our Company by virtue of it being a wholly-owned subsidiary of Vantage, one of our Controlling Shareholders. Such sub-contracting arrangement in respect of all of our building construction contracts during the Track Record Period were made because the Retained Vantage Group has been engaged in building construction projects and possessed the relevant expertise and technical experience. Therefore, the selection procedure for civil engineering sub-contractors set out in the above paragraphs headed under “Civil engineering sub-contracting arrangement” do not apply to our Group’s building construction sub-contracting arrangement with Able Contractors, which details are set out in the sections headed “Connected Transactions” and “Relationship with Controlling Shareholders” of this document.

In addition, we also provide or second certain staff to Able Contractors in order to assist or supervise Able Contractors in performing its obligations under the relevant sub-contracting arrangement for TW7 Project with Able Contractors as set out in the “Connected Transaction” section in this document.

Inspection and quality assurance

In order to achieve a consistent standard in our performance, we have adopted a stringent control and assurance system for monitoring the quality of materials used and the project implementation process.

All incoming materials or products delivered to site are inspected by the site engineer or other personnel appointed by the project manager. Site engineer is responsible for ensuring that the purchased materials or products meet the specified requirements. For materials or products that require further inspection or testing, the delivery will be passed to the project manager to sign off and if such materials failed to pass the inspection, they will be returned to the suppliers.

We will conduct inspection on all works on a regular basis to ensure that the works performed by us comply with the requirements as set out in the relevant contract. Where any work fails to pass our inspection, the project manager will determine a disposition and rectification actions. Upon completion of a project, the project manager will inspect the works and checks that all specified inspections and tests have been carried out and that the relevant data meets the specified requirements under the contract. Release of product shall only proceed when the project manager confirms the specific requirements have been satisfactorily completed or approval from the customer is obtained. Under normal circumstances, a further inspection will be conducted together with the representative of the engineer or architect appointed by the customer before application for interim payment.

Our quality assurance department is responsible for ensuring that our quality management system is being complied with in each stage of the project implementation. At the commencement of a project, our contracts manager will work closely with (a) our project manager to prepare the project quality plan; (b) our safety officer to assess the

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safety risks of the project; and (c) our environmental manager to assess the environmental impacts of the project. During the project, material purchases, work process, resources planning are documented in the project quality plan so that project managers, contracts managers and engineering managers together with our quality manager, environmental manager and safety officer can discuss and review progress and other site matters at a bi-weekly project meeting.

Application for payment and certification

In the case of our Group being a main contractor, we are normally entitled to apply for interim payment for the work-in-progress per month according to the terms of the works contract. We normally receive progress payment from customers on a monthly basis. Generally, the authorised person employed by the customers would issue a progress certificate certifying the works progress in the preceding month. It normally takes about three to four weeks for such certificates to be issued. The customers then execute payment with reference to such certificate. Payments are generally made within 30 days after the issuance of the progress certificate.

It is normal contract term for the customers to require retention money be held up from the progress payment. The retention money for each project generally ranges from 1% to 10% of the total contract sum, and is released to us upon completion of the project and/or upon expiry of the guaranteed maintenance period (generally one year upon completion of the project) subject to the customers’ satisfaction of the works. During the guaranteed maintenance period, we are required to rectify any defect in our work done without charge.

Similarly, we normally pay our sub-contractors on a monthly basis with reference to the value of the works done. Each of the sub-contractors is required to submit a request for payment to us by the end of each month. Once we have verified the sub-contractor’s request against the actual works done as certified by the customers, we will release the relevant proportion of the sub-contracting amounts after holding up retention money, if any. Payments are generally made within 30 days after the sub-contractor’s request. The amount of retention money from sub-contractors generally ranges from 1% to 10% of the total sub-contract sum.

OUR PROJECTS

Overview

We have completed a total of 9 projects during the Track Record Period. 8 of such projects were civil engineering construction projects while the remaining one was a building construction project, namely MOS Project. As of 31 July 2013, we had 13 significant projects that were in progress. All such significant projects in progress, except TW7 Project are civil engineering construction projects. Our Group acts as main contractor for all the contracts undertaken during the Track Record Period. We divide our projects into two categories based on the stage that the project is in:

- completed projects — referring to projects for which the relevant completion certificates have been issued; and

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- projects in progress — referring to projects for which we have commenced work but have recognised only part of the revenue for accounting purpose as of a point in time. The portion of contract sum for projects in progress which has not been realised is deemed as part of our backlog.

Completed projects

The following table sets forth the contracts completed by us during the Track Record Period:

Particulars of the contract	Customer	Period	Contract sum (HK\$ million)	Amount of revenue recognised during the Track Record Period (HK\$ million)
Waterworks				
Replacement and rehabilitation of water mains stage 1 phase 2 — Mains on Hong Kong Island (15/WSD/05)	WSD	August 2006 to May 2011	223 (Note 1)	28
Replacement and rehabilitation of water mains stage 2 — Mains in Tsuen Wan (19/WSD/06)	WSD	May 2007 to September 2011	45 (Note 1)	9
Improvement to Hong Kong Central mid-level and high-level areas water supply — Remaining works, construction of service reservoirs, pumping stations and associated main laying (5/WSD/07) (Note 4)	WSD	October 2007 to September 2012	234 (Note 1)	124
Roads and drainage works				
Road, utilities & external works in Lamma power station and its extension and miscellaneous improvement works (Note 4)	Company C	January 2009 to May 2010	17 (Note 1)	1
Landslip preventive and remedial works to slopes and retaining walls				
Proposed slope remedial works at No. 50 Tai Hang Road, Hong Kong (Note 4)	True Light Middle School of Hong Kong	December 2010 to April 2011	3.6 (Note 1)	3.5
Utilities civil engineering works				
Main contract for upgrading of electricity supply to Lok Man Sun Chuen (Note 4)	Hong Kong Housing Society	January 2010 to May 2012	76 (Note 1)	59

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Particulars of the contract	Customer	Period	Amount of revenue recognised during the Track	
			Contract sum (HK\$ million)	Record Period (HK\$ million)
Civil engineering works term contract for HKT Group (Note 4)	HKT Group	February 2008 to January 2011	— (Note 2)	16
Provision of external cable construction works and outside telecommunication plant maintenance services (Note 4)	HKT Group	May 2010 to April 2013	— (Note 2)	70
Other — Building construction works				
MOS Project — Carcass work contract for proposed residential development in Ma On Shan, New Territories (Note 3)	Company A	August 2009 to March 2011	545 (Note 1)	430

Notes:

1. *The contract sum for a particular contract listed above may be greater than the amount of revenue recognised for that contract during the Track Record Period. This is because some revenue for a particular contract may have been recognised before the commencement of the Track Record Period, i.e. before 1 April 2010.*
2. *Due to the nature of the contracts with HKT Group, no contract sum is provided and the estimated labour and material values stated in such contracts are for reference only but our actual amount of work, revenue and profit recognised during the contract term is derived from the total estimated labour and material values depending on the actual number of work orders received by our Group during the same period.*
3. *Please refer to the paragraph headed “Sub-contracting between our Group and Retained Vantage Group — MOS Project” in the section headed “Relationship with Controlling Shareholders” of this document.*
4. *These contracts are civil engineering construction works completed by our Group during the Track Record Period which are not part of the R&R Programme. The total amount of revenue recognised during the Track Record Period of such contracts amounted to approximately HK\$273.5 million, representing approximately 88.1% of the total revenue recognised during the Track Record Period of all the civil engineering construction works contracts completed by our Group during the Track Record Period.*

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Projects in progress

The following table summarises all of our significant projects that were in progress as at 31 July 2013:

Particulars of the contract	Customer	Period <i>(Note 1)</i>	Contract sum <i>(HK\$ million)</i>	Amount of revenue recognised during the Track Record Period <i>(HK\$ million)</i>	Outstanding amount yet to be recognised as revenue as at 31 July 2013 <i>(HK\$ million)</i>
Waterworks					
Replacement and rehabilitation of water mains stage 3 — Mains in Wan Chai District (19/WSD/08)	WSD	April 2009 to October 2014	348 <i>(Note 2)</i>	215	88
Replacement and rehabilitation of water mains stage 3 — Mains on Hong Kong Island East (20/WSD/08)	WSD	April 2009 to August 2014	362 <i>(Note 2)</i>	238	77
Replacement and rehabilitation of water mains stage 4 phase 1 — Mains in West Kowloon, Kwai Tsing and Tsuen Wan (13/WSD/10)	WSD	April 2011 to July 2015	616	339	277
Replacement and rehabilitation of water mains stage 4 phase 1 — Major mains in Eastern New Territories (10/WSD/11)	WSD	April 2012 to November 2015	345	82	263
Replacement and rehabilitation of water mains stage 4 phase 1 — Remaining mains on Hong Kong Island (3/WSD/12)	WSD	March 2013 to April 2016	467	28	439
Roads and drainage works					
Lee Tung Street/McGregor Street, Wan Chai, Hong Kong — Road works <i>(Note 4)</i>	Company D	May 2011 to June 2014	12	4	8
Reprovision of sea water cooling pipes for a sizeable shopping mall at Tsim Sha Tsui <i>(Note 4)</i>	Company B	January 2013 to January 2014	130	73	57
Provision of external cable construction works and outside telecommunications plant maintenance services <i>(Note 4)</i>	HKT Group	May 2013 to April 2016	— <i>(Note 3)</i>	3	— <i>(Note 3)</i>

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Particulars of the contract	Customer	Period (Note 1)	Contract sum (HK\$ million)	Amount of revenue recognised during the Track Record Period (HK\$ million)	Outstanding amount yet to be recognised as revenue as at 31 July 2013 (HK\$ million)
Utilities civil engineering works					
Civil engineering works term contract for HKT Group (Note 4)	HKT Group	February 2011 to January 2014	— (Note 3)	40	— (Note 3)
Provision of integrated field work for field services of telephone and broadband installation (Phase II) — Wan Chai and Southern District (Note 4)	HKT Group	April 2011 to March 2014	— (Note 3)	43	— (Note 3)
Provision of integrated field work for field services of telephone and broadband installation (Phase II) — Kowloon District (Note 4)	HKT Group	October 2011 to March 2014	— (Note 3)	47	— (Note 3)
Provision of works for integrated blockwiring infrastructure (Note 4)	HKT Group	January 2012 to December 2014	— (Note 3)	4.5	— (Note 3)
Other — Building construction works					
TW7 Project — Carcass work contract for proposed property development at Tsuen Wan west station, Tsuen Wan, N.T. (Note 5)	Company A	August 2011 to mid-2014	1,605	1,111	494
Total			<u>3,885</u> (Note 3)	<u>2,227.5</u>	<u>1,703</u> (Note 3)

Notes:

- The period for a particular contract shown above represents the period from the date of commencement of the relevant contract to the expected completion date. Expected completion date in general refers to the expected completion date as specified in the relevant contract, and if an application for extension of time has been submitted and approved by the customers, such extended completion date would be taken as the expected completion date. Where no expected completion date is specified in a contract, expected completion date refers to the completion date to the best estimation of the management of our Group.
- The contract sum for a particular contract listed above may be greater than the amount of revenue recognised for that contract during the Track Record Period. This is because some revenue for a particular contract may have been recognised before the commencement of the Track Record Period, i.e. before 1 April 2010.
- Due to the nature of the contracts with HKT Group, no contract sum is provided and the estimated labour and materials values stated in such contracts are for reference only but our actual amount of work, revenue and profit recognised during the contract term is derived from the total estimated labour and materials values depending on the actual number of work orders received by our Group during the same period. Since there are no contract sum provided in the contracts with HKT Group, there is no basis for the computation of outstanding amount yet to be recognised as revenue as at 31 July 2013.

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4. *These contracts are civil engineering construction works undertaken by our Group during the Track Record Period which are in progress and are not part of the R&R Programme. The total amount of revenue recognised during the Track Record Period of such contracts amounted to approximately HK\$214.5 million, representing 19.2% of the total revenue recognised during the Track Record Period of all the civil engineering construction works contracts in progress undertaken by our Group during the Track Record Period.*
5. *Please refer to the paragraph headed “Non-exempt continuing connected transaction” under the section headed “Connected Transactions” of this document for further information in relation to this project.*

As of 31 July 2013, we had 13 significant projects in progress, with a total amount of approximately HK\$1,703 million outstanding under our contracts and not yet been recognised in our financial statements (“**Unrealised Contract Sum**”), of which the amount not yet been recognised as revenue from building construction project was approximately HK\$494 million and the amount not yet been recognised as revenue from civil engineering projects was approximately HK\$1,209 million. We compute the Unrealised Contract Sum based on the total contract sum of all of our projects in progress as of 31 July 2013, less the aggregate amount of such contract sum of each project that had already been recognised as revenues in our Group’s combined financial information on or before 31 July 2013.

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The table below sets out a breakdown of the backlog revenue estimated to be recognised in the future for the 5 significant projects in progress which are part of the R&R Programme launched by WSD respectively:

Breakdown by project of backlog revenue estimated to be recognised in future relating to R&R Programme contracts:

Particulars of the contract	For the eight months ending 31 March 2014 (HK\$ million)	For the year ending 31 March 2015 (HK\$ million)	Years subsequent to the year ending 31 March 2015 (HK\$ million)	Total (HK\$ million)
Replacement and rehabilitation of water mains stage 3 — Mains in Wan Chai District (19/WSD/08)	35	48	5	88
Replacement and rehabilitation of water mains stage 3 — Mains on Hong Kong Island East (20/WSD/08)	22	30	25	77
Replacement and rehabilitation of water mains stage 4 phase 1 — Mains in West Kowloon, Kwai Tsing and Tsuen Wan (13/WSD/10)	69	96	112	277
Replacement and rehabilitation of water mains stage 4 phase 1 — Major mains in Eastern New Territories (10/WSD/11)	64	96	103	263
Replacement and rehabilitation of water mains stage 4 phase 1 — Remaining mains on Hong Kong Island (3/WSD/12)	54	72	313	439
Total	244	342	558	1,144

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The above estimates of breakdown by project of backlog revenue are derived based on (i) our management experience and judgement, (ii) our project budgets, (iii) the projected progress of the relevant projects based on, among other things, the historical progress of such projects and (iv) no additional variation orders will be made by the relevant customer. The above estimates may be different from the actual amount of revenues to be generated by our Group for such projects and are not guarantees of future performance of our Group.

New contract awarded

In October 2013, we were awarded with a new contract regarding the provision of civil works for cable circuit improvement for certain areas of the Central and Western District of the Hong Kong Island for Company C at a contract sum of approximately HK\$41.9 million.

Further information on R&R Programme projects and other civil engineering projects

Notwithstanding the expected completion of R&R Programme in 2015, our Directors believe that there are abundant demand of civil engineering works projects in the market in Hong Kong which our Group is in a good position to undertake when our R&R Programme projects are completed. It is the business nature of the construction business in Hong Kong that there is a limitation as to the number of projects our Group is able to undertake at a particular point in time, arising from, among other things, constraints in working capital and human resources. One of the reasons is that the ETWB has established minimum employed and working capital requirements for accepting a tender for civil engineering works in the public sector. Given that our Group has already been engaged in a number of sizeable projects such as TW7 Project and projects in the R&R Programme, our Group has limited working capital and human resources to undertake additional projects other than TW7 Project and projects in the R&R Programme during the Track Record Period. Having considered such constraints, our Group decided to focus on R&R Programme projects during Track Record Period. This was because, during the Track Record Period, the R&R Programme related projects were more sizeable in terms of contract value, and by focusing our resources on the R&R Programme related projects, our Group could more efficiently manage the use of its resources such as labour and management team, which would allow a higher economy of scale for the Group to generate more profit from its business during the Track Record Period. Upon cessation of the R&R Programme, our Directors expect that WSD and other customers will continue to invite tender for civil engineering works. With the freeing up of working capital and resources of our Group upon completion of TW7 Project and the waterworks projects in the R&R Programme, our Directors expects that our Group will actively tender for waterworks projects and other civil engineering works. Our Directors are of the view that, there will be substantial opportunities of waterworks projects and other civil engineering works available to our Group, and due to the extensive experience and expertise of our management team and the track record of our Group of undertaking waterworks projects for WSD and other civil engineering projects for other customers, our Group is well positioned to tender for such projects in the future.

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The table below sets out a breakdown of our revenue and gross profit by project nature for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively:

Revenue	Building construction and maintenance works <i>HK\$ million</i>	(%)	WSD — R&R Programme waterworks <i>HK\$ million</i>	(%)	WSD — non-R&R Programme waterworks <i>HK\$ million</i>	(%)	Other civil engineering works <i>HK\$ million</i>	(%)	Total <i>HK\$ million</i>	(%)
<i>For the year ended</i>										
<i>31 March</i>										
2011	371	55%	167	25%	57	8%	78	12%	673	100%
2012	213	31%	315	46%	49	7%	113	16%	690	100%
2013	525	53%	326	33%	16	2%	117	12%	984	100%
<i>For the four months</i>										
<i>ended 31 July 2013</i>										
	435	67%	136	21%	2	0%	81	12%	654	100%

Gross Profit	Building construction and maintenance works <i>HK\$ million</i>	(%)	WSD — R&R Programme waterworks <i>HK\$ million</i>	(%)	WSD — non-R&R Programme waterworks <i>HK\$ million</i>	(%)	Other civil engineering works <i>HK\$ million</i>	(%)	Total <i>HK\$ million</i>	(%)
<i>For the year ended</i>										
<i>31 March</i>										
2011	—	0%	15	33%	19	41%	12	26%	46	100%
2012	3	6%	25	51%	12	25%	9	18%	49	100%
2013	5	9%	41	73%	0.3	1%	10	17%	56	100%
<i>For the four months</i>										
<i>ended 31 July 2013</i>										
	5	21%	9	37%	(2)	(8%)	12	50%	24	100%

The total revenue recognised during the Track Record Period from all our civil engineering projects which are not part of the R&R Programme (including those completed and in progress) amounted to approximately HK\$513 million, representing approximately 17.1% of our total revenue during the Track Record Period.

CUSTOMERS

Due to the nature of the business sector in which our Group is engaged, our customer base is relatively concentrated to only organisations requiring civil engineering construction services, including, generally, certain departments of the Government, public utilities companies and private organisations in Hong Kong. Our only building construction customer which was one of our top 3 Independent Third Party customers during the Track Record Period was Company A. Notwithstanding the above and the cessation of our building and maintenance construction business after completion of TW7 Project, as demonstrated by the Track Record Period and in view of the trend in Hong Kong that there will be a considerable number of new infrastructure and new town development projects requiring civil engineering construction services, our Directors believe that our Group has not encountered and will not encounter material difficulty in sustaining our core business. For the related risks, please refer to the section headed “Risk Factors — Cessation of undertaking building construction and maintenance business by us upon completion of

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TW7 Project may have a material adverse effect on our business, operating results and financial condition” and “— Expiration of R&R Programme may lead to a reduction of civil engineering waterworks opportunities available for tender in Hong Kong in future” in this document.

Our largest customer accounted for approximately 55.1%, 52.6%, 51.8% and 66.2% of our revenues for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively. Our five largest customers which include Company A, WSD, HKT Group, the Hong Kong Housing Society and Company B together accounted for approximately 99.2%, 98.0%, 99.1% and 99.8% of our revenue for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively.

Company A is one of the principal property developers listed in Hong Kong in terms of market capitalisation and sales revenue. For the year ended 31 December 2012, the consolidated turnover and net profit attributable to shareholders of Company A amounted to approximately HK\$31.1 billion and HK\$32.2 billion respectively. Apart from property development in Hong Kong and the PRC, Company A has diversified businesses in hotel operations, securities investments, property management and other related businesses. Its market capitalisation was approximately HK\$[287.4] billion as at the Latest Practicable Date.

WSD is a department under the Government. It recorded a total revenue of approximately HK\$6.8 billion for the year ended 31 March 2012.

HKT Group is one of the principal telecommunications service providers listed in Hong Kong, recording annual turnover and net profit attributable to shareholders of approximately HK\$21.1 billion and HK\$1.7 billion respectively for the year ended 31 December 2012 and with a market capitalisation of approximately HK\$[39.9] billion as at the Latest Practicable Date.

The Hong Kong Housing Society is an independent and not-for-profit housing organisation established in 1948 as authorised by the Government with the objective of, inter alia, providing housing for the residents of Hong Kong. It recorded total revenue of approximately HK\$1.1 billion for the year ended 31 March 2012.

Company B is a major mass transportation operator listed in Hong Kong which is also engaged in other related businesses such as property development along the transportation network it operates. It recorded annual turnover and net profit attributable to shareholders of approximately HK\$35.7 billion and HK\$13.5 billion respectively for the year ended 31 December 2012. Its market capitalisation was approximately HK\$[172.8] billion as at the Latest Practicable Date.

Our Directors believe that the property development and the utilities services markets in Hong Kong are characterised by the presence of a small number of sizeable developers, and telecommunications companies and electricity supply companies respectively. Further, the supply of water services in Hong Kong is monopolised by WSD. As a result, given the market landscape of the industries in Hong Kong in which our Group is involved, the potential customer base of our Group is limited and our Directors consider that this situation is not specific to our Group. In particular, our Directors believe that it is unlikely for civil engineering contractors engaging in waterworks projects in Hong Kong to break

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off reliance on WSD. On the other hand, to ensure clear delineation of business activities between our Group and the Retained Vantage Group, our Group will continue to focus on civil engineering construction business and shall cease to engage in building construction and maintenance works after the completion of TW7 Project. Hence, our Group shall not rely on Company A, being the largest customer of our Group for the year ended 31 March 2013 and the four months ended 31 July 2013 after the completion of TW7 Project.

Amongst other things, the relatively high concentration of our revenue on our top 5 customers during the Track Record Period was due to the limitation as to how many projects our Group is able to tender for and work on at a particular point in time resulting from constraints in our working capital and human resources. Given that our Group has already been engaged in a number of sizeable projects during the Track Record Period, our Group would have to be selective in our choice of potential customers, in particular in tendering for projects of new customers. This is because the ETWB has established minimum employed and working capital requirements for accepting a tender for civil engineering works in the public sector. Accordingly, during the Track Record Period, our Group has intentionally allocated more resources to provide services to certain customers in their civil engineering works. As TW7 Project is expected to be completed in mid-2014, our Group plans to diversify our customer base by tendering for roads and drainage works, landslip preventive and remedial works to slopes and retaining walls, and utilities works from our existing customers as well as selectively undertaking new projects from other sizeable utilities companies and organisations in Hong Kong.

We have maintained business relationships with two of our five largest customers, WSD and HKT Group, for over 30 years.

There is a presence of a few substantial players in the civil engineering industry, making it unlikely for companies in the same line of business as us to break off reliance on some major customers. Despite this, our Directors believe that we have the skills, track record and connection to find substitute customers by deploying our resources to tender for other civil engineering works projects in Hong Kong in order to diversify our business to reduce our reliance on our existing major customers. Taking into account of the above and given the scale, reputation and good credit history of our major customers with relatively minimal credit risk in receiving payment from them, our Directors believe that the risk arising from concentration on particular customers has been manageable.

None of our Directors or their respective associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

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KEY CUSTOMER CONTRACT TERMS

Generally, our customer contracts contain terms relating to the contract price, the scope of work, conditions and specifications, the payment terms, progress payment and retention monies, performance bond or surety bond requirements, guaranteed maintenance provisions, liquidated damages and determination/termination. In some of the contracts with the Government, there is a contract price fluctuation clause. A summary of the key terms of our customer contracts is set forth below which applies to the principal business engaged by our Group:

Payment terms

Our contracts with our customers will generally include payment terms such as the total contract sum, the payment procedure, the frequency of payment and the payment method.

In order to protect the contractors from certain changes in the costs of labour and materials used in the public sector construction projects, some of the Government contracts provide for a contract price adjustment mechanism (both upward and downward adjustments) with reference to certain price indices such as the index for the average daily wages of workers engaged in the public sector construction projects and the index for the average wholesale prices of selected materials compiled and published by the CSD (the “**Price Indices**”).

Progress payment and retention monies

We normally receive progress payment from customers on a monthly basis with reference to the value of works done. In general, we submit an interim payment application to our customers on a monthly basis according to the amount of works completed during the month. Once we have submitted a monthly application for interim payment, the authorised person, such as the architects employed by the customers, would issue a progress certificate certifying the works progress in the preceding month. It normally takes about three to four weeks for such certificates to be issued. Upon the issue of the certificate, the customer is deemed to have an obligation to pay our Group the amount certified less retention money. Payments are generally made within 30 days after the issue of the progress certificate from both public and private sector customers.

In most contracts, there is a contract term for the customers to hold up the retention money from the progress payment. The retention money for each project generally ranges from 1% to 10% of the total contract sum. Generally, for the retention money, either the first half of the retention money is released upon completion of the project and the second half of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of our works, or all of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of our works.

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Performance bonds/Surety bonds

In order to secure due and timely performance of the main contractor, it is common for customers to request the main contractor to take out performance bonds or surety bonds issued by a bank or an insurance company in favour of the customers according to the contract terms.

Generally, the amount of performance bonds required for each project would not exceed 10% of the total contract sums. The performance bonds or surety bonds normally expire after completion of the project or as specified in the relevant contract. As of 31 July 2013, the total value guaranteed under performance bonds or surety bonds issued by our banks amounted to approximately HK\$37.8 million. Such performance bonds or surety bonds are generally released upon the due completion by us of the contracted work or by a certain stipulated date. We are generally required to provide a counter-indemnity to the bank that issues the performance bond or surety bonds for us in relation to the main contract with our customers.

Guaranteed maintenance period

The customers would normally require a guaranteed maintenance period, during which we are responsible to rectify works defects. The guaranteed maintenance period normally represented one year upon completion of the project. Normally, we would require a back-to-back guaranteed maintenance period from the sub-contractors.

Once defects are identified, the project manager or his delegate shall agree a rectification works programme with the customers for which the defects are remedied at the most convenient time. Where the defect requires remedy by a sub-contractor, the project manager or his delegate shall supervise his works whenever practicable.

If there is any work defects found by our customers, the relevant sub-contractor is in general responsible for rectifying the work defects in accordance with the back-to-back defect liability clause of the sub-contracting agreement with our Group and thus such sub-contractor is usually the party to bear all the costs in rectifying the work defects. To the best knowledge of our Directors, the costs incurred by our Group in rectifying the work defects during the Track Record Period were insignificant.

There were no material claims in relation to work defects which are brought against our Group by our customers during the Track Record Period.

Liquidated damages

Construction contracts typically provide for liquidated damages to be payable if the project is not completed in accordance with the time schedule specified in the contract.

Among all the projects completed by our Group during the Track Record Period, we have experienced delays, based on the finally endorsed view of our customers, in the completion of 2 projects. In one of such projects, HK\$7,020 of liquidated damages was claimed by the relevant customer and settled by our Group and in the other one, the amount

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of liquidated damages to be claimed by the relevant customer is yet to be determined but is expected to have no material adverse effect on our Group’s financial position. Further, our Directors confirm that we have not experienced any cost overruns in any of the projects completed during the Track Record Period.

In this connection, we have been implementing certain measures for monitoring and managing the risk of costs overruns and delays, including but not limited to (a) our contract implementation procedures which include (i) establishment of a project team on project basis for management and supervision after the award of each contract; (ii) assignment of senior management and contracts manager to monitor programme and progress of work, handling of contractual matters, cost and claims issues; (iii) holding of regular project meetings chaired by our Directors and senior management to monitor site performance, performance of sub-contractors, review construction method, technical issues and other site matters; and (iv) conducting quarterly internal quality audits; (b) our accounting procedures and requirements for authorisation of expenditure on project works and procedures for budget control and review; together with (c) our quality management system, environmental management system and occupational health and safety management system that were accredited with ISO 9001, ISO 14001 and OHSAS 18001 certifications respectively.

Determination/Termination

Our contracts with our customers include determination or termination clauses giving both parties right to terminate in different circumstances.

Grounds upon which these contracts may be terminated by our customers generally include failure to remedy within a specified time period certain contractual breaches by us such as abandonment of the contract, suspension of or failure to carry out works without reasonable cause or in accordance with specifications, refusal to comply with customer’s representative or architect’s or engineer’s instructions, assignment of the contract or sub-contracting the whole of the works without prior written notice of the customer, and making a composition or arrangement with creditors, facing a petition for winding up or entering into liquidation by us.

Grounds upon which these contracts may be terminated by us generally include default in payment of sums due to us under the contract within a specified period of time on the part of the customer, and making a composition or arrangement with creditors, facing a petition for winding up or entering into liquidation by us.

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CREDIT MANAGEMENT

We normally secure our business through competitive tender process. Before deciding whether to submit a tender proposal, we normally consider factors such as the creditworthiness of the relevant customers as well as the key contract terms (including progress payments and retention money provisions) stipulated in the relevant tender document. We will closely monitor the payments from the customers pursuant to the terms of each respective contract. We receive payments from our customers in the form of progress payments and the release of retention monies. Our customers normally settle our project payments by cheque or bank transfer.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, our average accounts receivable turnover days were 58.8 days, 57.3 days, 65.6 days and 48.0 days respectively.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, we did not experience any material collectability problem for our trade and retention money receivable and there had been no provisions for impairment of trade and retention money receivables. The provision for impairment of trade and retention receivables are made when there is objective evidence that our Group will not be able to collect part or all of the amounts due under the original terms of the invoice. Such evidence may include probability of insolvency or significant financial difficulties of the debtor and significant changes in market, economic or legal environment that have an adverse effect on the debtor or refusal of payment by debtor due to disagreement with debtor.

SUPPLIERS

Our Group’s five largest suppliers being our sub-contractors together accounted for approximately 96.2%, 95.0%, 98.9% and 99.4%, respectively, of our total sub-contracting fees charged to our Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively. During the same period, our Group’s largest sub-contractor accounted for approximately 62.7%, 34.0%, 54.9% and 69.6% of the total sub-contracting fees charged to our Group respectively.

Able Contractors, an entity engaged in building construction business is our largest sub-contractor for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, which is a connected person of our Company by virtue of it being a wholly owned-subsiidiary of Vantage, one of our Controlling Shareholders.

As described in the section headed “Connected Transactions” of this document, we sub-contracted the building construction works in TW7 Project to Able Contractors. TW7 Project is expected to be completed by mid-2014 and thereafter Able Contractors will no longer engage in any sub-contracting work for us and we will no longer engage in any building construction business.

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As at the Latest Practicable Date, Mr. Li Chi Pong, our executive Director, and Mr. Yau Kwok Fai, our non-executive Director and a director of Vantage were interested in [0.32]% and [2.25]% respectively in the issued share capital of Vantage which indirectly owns [100]% of the issued share capital of Able Contractors, our largest sub-contractor for each of the three years ended 31 March 2013 and the four months ended 31 July 2013.

Other than as set out in the paragraph above, none of our Directors or their associates or any Shareholders (to the knowledge of our Directors) holding more than 5% of our Company’s issued share capital had any interests in the five largest sub-contractors during the Track Record Period.

As mentioned in the paragraph headed “Selection of Sub-contractors” of this section, we delegate parts of the construction works to our sub-contractors and will purchase certain construction materials and equipment for the use of our sub-contractors. The relevant costs of the materials and equipment will be deducted accordingly from the sub-contracting fees in accordance with the relevant sub-contracting agreements/arrangements for all our projects where we purchase construction materials and equipment for the use of our sub-contractors. In general, we do not carry inventories of construction materials in excess of those reasonably required to meet the schedule of the construction works.

The principal construction materials that are used by our sub-contractors for undertaking our civil engineering and building construction works include pipes and fittings, concrete and steel. During the Track Record Period, the largest material supplier from which we purchased materials for the use of our sub-contractors accounted for approximately 29.1%, 26.2%, 36.8% and 38.5% of our Group’s cost of construction materials purchased for the use of our sub-contractors for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively.

The five largest material suppliers from which we purchased materials for the use of our sub-contractors together accounted for approximately 50.2%, 67.9%, 78.8% and 84.5%, respectively, of our cost of materials purchased for the use of our sub-contractors for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, respectively. None of our Directors or their respective associates or any of our Shareholders who (to the knowledge of our Directors) owns more than 5% of our issued share capital had any interests in any of the five largest material suppliers which we purchased materials from for the use of our sub-contractors during the Track Record Period.

During the Track Record Period, we had not experienced any significant disruption in the provision of work by our sub-contractors or the supply of construction materials by our material suppliers. We maintain good and long-standing working relationships with our sub-contractors and material suppliers. Some of these sub-contractors and material suppliers have working relationships with us for more than 7 years. Our Group usually enters into supply contracts with its material suppliers on a project basis and in general the term of such supply contracts mirrors the contract period for the relevant project.

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INVENTORY

We act as the main contractor and delegate parts of the construction works to our sub-contractors and will, depending on the requirements of the projects, purchase construction materials and equipment for the use of our sub-contractors. Therefore we do not carry inventories of construction materials in excess of the levels reasonably required to meet the schedule of construction works.

QUALITY CONTROL

We believe that our commitment to enhancing the quality of our management and construction works is instrumental in maintaining our overall reputation. In pursuit of quality, we implement and operate a quality management system in accordance with the requirements of ISO 9001 and were first accredited by HKQAA with ISO 9001 certification in 1994.

To achieve the above objectives, our Group has established and maintained a quality management system for implementation in our head office and all of our site offices. Quality control measures implemented by our Group under the quality management system include:

- Determining the works (including materials) requirements at tender stage and review of tenders;
- Identifying the procedures to be followed to ensure that the purchased materials conform to specified purchase requirements;
- Evaluating the performance of suppliers and sub-contractors to ensure that their performance are considered acceptable to remain on the authorised list;
- Monitoring the work progress to ensure the specified requirements and the planned results of processes are met;
- Ensuring the non-conforming materials and works are identified and preventing its unintended use or delivery;
- Identifying the methods for receiving, handling and storage of purchased materials and identification and preservation of materials; and
- Identifying training needs and arranging the training activities to ensure the staff are competent to carry out the assigned job.

Mr. Wong Kin Yan is the environmental and quality manager of our Group. He is directly responsible for the implementation, operation and maintenance of our Group’s quality management system which meets the requirements of ISO 9001.

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On the operational level, a project team will be established on project basis after a contract has been awarded. The number of project team members assigned to different projects varies depending on, among other things, the complexity of the projects, contract sum, and requirements regarding qualifications and experience of project team members specified in the relevant contract.

To ensure delivery of quality work to our customers, our project team members are well trained in implementing our quality control measures which comprise monitoring, verifying and validating the construction, installation works and materials before delivery of completed project works to our customers. Regular inspection will be conducted by our project team members to ensure that the work completed conforms to the specifications and requirements set out in the relevant contract. Further, to prevent repeated nonconformities, the responsible contracts manager and environmental and quality manager will, from time to time, evaluate the need of action to prevent occurrence of nonconformities and implement preventive action to eliminate causes on potential nonconformities.

We procure the supply of materials and equipment for the use of our sub-contractors from our own authorised list of suppliers which we have had satisfactory past business relationships. Similar to our selection system of suppliers, we have also maintained a list of authorised sub-contractors to ensure the overall quality of the project. Other than our subcontracting arrangement with our only building construction sub-contractor, Able Contractors which is a connected person of our Company, the selection of sub-contractors for our civil engineering construction works are based on a set of criteria as set out in our Group’s internal quality procedures including past experience, performance, skill and resource capabilities.

To ensure that our quality management system conforms to the planned requirements and the requirements of ISO9001 standard, our environmental and quality manager is responsible for planning and carrying out internal quality audits. Each quarter, internal quality audits are being carried out at our head office and each project site. New projects will also be audited at a time no later than two months after commencement of work. The audits are carried out by our staff who act as auditors and are independent of the area being audited and are nominated by the environmental and quality manager. Such audit is to be conducted through interview with the responsible manager or supervisor as well as the auditor collecting evidence through observation and review of records or other supporting documents. Any detected non-conformity will be followed up and corrective actions will be implemented. The auditor will verify and record the implementation and effectiveness of the corrective actions taken on such non-conformities in the next audit.

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AWARDS AND ACCREDITATION

In recognition of our Group’s outstanding performance and quality of works, our Group has received the following awards or certificates from different departments of the Government and professional accreditation organisations:

Certificate for compliance with ISO/OHSAS requirements

Year of grant	Description	Awarding organisation
2013 <i>(Notes 1 & 4)</i>	Certificate for compliance with the requirements of ISO 9001:2008 Quality management system standard, applicable to construction and maintenance of civil engineering works, construction of foundation works, construction activities to keep, restore and improve civil engineering works, construction of landslip preventive and remedial works to slopes and retaining walls, building activities to keep, restore and improve the facilities of buildings and surroundings and construction of buildings, construction of copper, fibre and block-wiring works, maintenance and installation of outside plant cable network and broadband equipment, including customer services and main distribution frame works.	HKQAA
2010 <i>(Notes 2 & 4)</i>	Certificate for compliance with the requirements of ISO 14001:2004 Environmental management system standard, applicable to construction of civil engineering works, construction of buildings, construction of foundation works, construction activities to keep, restore and improve civil engineering works, construction of landslip preventive and remedial works to slopes and retaining walls and building activities to keep, restore and improve the facilities of buildings and surroundings.	ACIL
2013 <i>(Notes 3 & 4)</i>	Certificate for compliance with the requirements of OHSAS 18001: 2007 Occupational health and safety management system, applicable to construction of civil engineering works, construction of buildings, construction of foundation works, construction activities to keep, restore and improve civil engineering works, construction of landslip preventive and remedial works to slopes and retaining walls and building activities, to keep, restore and improve the facilities of buildings and surroundings.	ACIL

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In recognition of our Group’s quality services, environmental protection and safety practice

Year of grant	Description	Awarding organisation/ Government department
2012	2012 Workplace Hygiene Competition — Champion of contractor worksite (Property Project) <i>Contract no. 24911 — West rail property development at Tsuen Wan West Station</i>	MTR Corporation Limited
2009	Certificate of appreciation for good performance on safety, health and environmental aspects <i>Contract no. 07/8014 — Cable diversion at Kai Lung Wan Reservoir Road</i>	The Hong Kong Electric Co., Ltd.
2009	Certificate of appreciation for good performance on safety, health and environmental aspects in Lamma power station <i>Contract no. 08/8010-Road, utilities and external works in Lamma power station and its extension and miscellaneous improvement works</i>	The Hong Kong Electric Co., Ltd
2007	Hong Kong 2007 construction environmental award, environmental merit award — Outstanding environmental performance	WBDB, Environmental Protection Department & the Hong Kong Construction Association
2006	Considerate contractors site award scheme 2005 award certificate <i>Contract no. 04/8012 Lamma wind power station (Site formation works)</i>	WBDB
2004	Considerate contractors site award scheme 2003 award certificate <i>WSD Contract No. 2/WSD/02</i>	WBDB
2001	Green contractor bronze award <i>Contract no. SSJ328 Basement and piling foundations for Building 5, Science Park</i>	Architectural Services Department

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Year of grant	Description	Awarding organisation/ Government department
2001	Considerate contractors site award scheme 2000 award certificate <i>Contract no. DC/98/12 Construction of village flood protection works for Pok Wai and stormwater intercepting drain for Wang Chau</i>	WBDB

Notes:

1. *EXCEL and GADELLY were first accredited with ISO 9001 compliance certifications in 1994 and 2001, respectively. The current certificates of EXCEL and GADELLY will expire on 8 February 2016.*
2. *EXCEL was first accredited with ISO 14001 compliance certifications in 2007. The current certificate will expire on 22 December 2013.*
3. *EXCEL was first accredited with ISO 18001 compliance certifications in 2010. The current certificate will expire on 30 January 2016.*
4. *The accreditation body conducts an external audit to access the relevant management system is in conformity of the standards in place every three years. Such external audit is normally conducted before the expiry of the relevant ISO certificate. Upon satisfaction in regards to the relevant management system, a renewal certificate will be issued.*

In addition, our Group has received certain appreciation letters from the public during the Track Record Period, such as a district councilor’s office, in recognition of our Group’s performance on its civil engineering construction works.

ENVIRONMENT

Our Group is committed to enhancing and improving technology and services to fulfill its social responsibilities to both the community and environment. In delivering civil construction works, our Group aims to ensure that all services are delivered with high quality and are conducted in an environmentally responsible manner. We believe that a successful environment management is important for us to meet customers’ demand in environment protection and to ensure healthy growth and sustainable development of our business. In this connection, we have set up an environmental management system to promote environmental awareness and to prevent pollution of the environment.

Our environmental management system currently in place was accredited by ACIL with ISO14001 certification. Some of our environmental protection measures include:

- determining what activities may result in significant impact to the environment and ensure that those significant environmental aspects are taken into account in establishing, implementing and maintaining our environmental management system;

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- ensuring that we are committed to regulatory compliance and comply with industry best practices from an environmental perspective in undertaking our activities; and
- taking into consideration the legal and other requirements, the significant environmental aspects, technological, financial, operational and other business requirements when establishing and reviewing our environmental objectives so that they are consistent with a commitment to pollution prevention.

Our environmental and quality manager is responsible to ensure that our environmental management system is established, implemented and maintained and that any recommendations for improvement be reported to our top management. We also ensure that our sub-contractors and their workers comply with our environmental protection policy on the basis of appropriate education, training and/or experience. In particular, we hold regular meetings with them to discuss environmental related issues during the course of a project. Further, environmental management system, operational control and compliance training is provided for our employees performing activities which can cause significant environmental impact so as to ensure compliance with the regulatory and internal requirements and to enhance their competencies.

In addition, our Group has continuously observed the laws and regulations in relation to environmental protection in Hong Kong including Air Pollution Control Ordinance, Noise Control Ordinance, Water Pollution Control Ordinance, Waste Disposal Ordinance and Environmental Impact Assessment Ordinance. Prior to the commencement of work, our Group will assess the implications and requirements of the aforesaid ordinances and apply for necessary permits (if applicable) to conduct its work. The breach of the aforesaid environmental protection ordinances may lead to penalty or fine by the relevant government authorities or even termination of works. During the Track Record Period and as at the Latest Practicable Date, to the best knowledge of our Directors, there have been no material violations of applicable environmental laws and regulations in Hong Kong. Our Directors are of the view that the amount of fines our Group was subject to as a result of the breach of the Public Health and Municipal Services Ordinance during the Track Record Period was not material to our Group, and was HK\$2,800, HK\$2,500, nil and nil respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Such breaches relate to Sections 27(3) and 150 of the Public Health and Municipal Services Ordinance and involve larvae of mosquito found in the relevant construction site.

During the Track Record Period, the cost of compliance with applicable environmental laws and regulations in Hong Kong were approximately HK\$1.56 million, HK\$1.00 million, HK\$1.45 million and HK\$0.66 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Our Group expects such cost going forward would be at similar level as the annual cost for the year ended 31 March 2013, but it is subject to the nature and scale of future projects. We were in compliance with applicable environmental laws and regulations in all material respects.

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LABOUR, HEALTH AND SAFETY MATTERS

We are subject to laws and regulations relating to labour, health and safety of Hong Kong. Please refer to the section headed “Regulatory Overview” in this document for summaries of the applicable labour, health and safety laws and regulations of Hong Kong.

During the Track Record Period, there were no material violations of any applicable labour or health regulations in Hong Kong by us, nor were there any material claims against our Company relating to labour, health and safety issues. Our Directors consider that employment of illegal workers has not been an issue for our Group, as our Group does not hire illegal workers and it is customary that under the sub-contracting agreements we enter into, our sub-contractors are obliged to record workers’ details and to enter into agreements with their workers, a copy of which should be delivered to us together with copies of identification documents of the workers from time to time. We believe we have taken sufficient and appropriate measures in verifying the eligibility of the workers hired by our sub-contractors.

Our Directors are of the view that the amount of fines our Group was subject to as a result of the breaches of safety regulations in Hong Kong during the Track Record Period was not material to our Group, and was nil, nil, HK\$21,000 and nil for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. Such breaches relate to the Factories and Industrial Undertakings Ordinance. We take safety issues very seriously. We are committed to providing a safe and healthy working environment for the benefit of our staff, the sub-contractors and the general public. We believe that our corporate image as a quality civil engineering construction company could be enhanced through continual improvement in safety standard.

All levels of management have a primary responsibility for the safety and health of all employees of our Group. We have set up an occupational health and safety management system to promote safe working practices among all employees and to prevent the occurrence of accidents through safety inspections. In the system, we have established a safety and health organisation to ensure that our operations are carried out in a safe manner which is under constant review. The organisation includes the safety and health management committee, the site safety and health committee for each project, the safety officers and the safety supervisors. Amongst other things, the safety and health management committee is responsible for:

- establishing and continually reviewing our safety and health policy and to assess how well it is being implemented;
- implementing procedures and systems whereby our safety and health policy is put into effect;
- reviewing reports of major accidents and incidents and statistics to identify trends and monitoring safety performance;
- reviewing arrangement, adequacy and effectiveness of safety training;

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- reviewing the latest legislation and regulation changes on safety issues; and
- establishing safety audits and reviewing safety audit reports.

We endeavor to ensure that we comply with all relevant laws and regulations on labour, health and safety in Hong Kong by evaluating the hazards of our projects and preparing risk assessments of our job sites, which are reviewed and updated periodically to include new items that were not previously included, such that any unsafe conditions not covered by the risk assessments will be corrected. The safety representative at the work site is required to ensure that the site personnel receive the relevant safety training and undergo the induction course provided by the main contractor such that the site personnel become familiar with the specific conditions of the job site. In addition, the safety representative has to ensure that all personnel wear necessary protective equipment at the job site, evaluate the job site for any unsafe conditions and take appropriate steps to eliminate exposure to hazard our conditions at the job site. Our Group’s occupational health and safety management system currently in place has been certified compliance with OHSAS 18001 by ACIL.

To demonstrate our recognition of the importance of safety and to avoid accidents on construction sites, we manage our project using our safety and health manual which governs our practice to deal with a wide range of potential hazards that may occur on our work locations. The safety plans are reviewed from time to time to ensure they can effectively assist us in avoiding accidents. For each of our projects, a safety inspection programme will be drawn up in which our project manager is required to arrange for the appointment of competent persons to conduct site safety inspections for the project at least once a month. Moreover, preventive measures such as risk assessment has been conducted on each of our projects at the outset to identify the risks associated with such project to determine and subsequently implement certain precautionary measures to develop safe working procedures for the identified job hazards. The personal protection programme in the safety and health manual will be followed when the risk assessment identifies the need for personal protective equipment, such as eye protection, hearing protection and respiratory protection. The site safety induction training consists of the use of safety helmet, dust respirator, goggles, safety belt and ear protective equipment. Special training will be arranged separately for any other specific equipment.

Lastly, to ensure our projects are undertaken in a safe manner, we conduct safety assessment on our sub-contractors. During the contract period, our project manager arranges regular meetings with our sub-contractors to discuss a variety of matters including the health and safety aspects of the project, so that our sub-contractors understand such aspects of the project as well as our safety rules and procedures. We also assign a safety officer to each of the projects to monitor the daily safety matters and provide health and safety guidance to the sub-contractors’ employees. Our sub-contractors are required to report to us if any accidents occur in the construction sites. We keep records of all accidents and report the same to our insurers accordingly.

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Contractors qualified or licensed by the WBDB are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Government works. For example, if a qualified/licensed contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the Government may take regulatory actions against the responsible contractor. Regulatory actions include removal, suspension (which means a contractor is prohibited from tendering for public works of the relevant category during the suspension period), downgrading (which includes downgrading or demoting the contractor’s qualification/license to a lower status or class in all or any specified category), temporary suspension of work in a specific project, depending on the seriousness of the incident triggering the regulatory actions.

In order to determine the compliance of implementation of our safety management system and its effectiveness in meeting our policy and objectives, safety audits are carried out at least once every 6 months. Our safety audit will examine our compliance with our safety plan, the statutory requirements and contractual requirements as well as physical condition of our sites.

During the Track Record Period and up to the Latest Practicable Date, we have not encountered any fatal construction accident on construction sites for which we were responsible as main contractor and have not suffered from any removal, suspension, downgrading or demotion of our qualifications or licenses. Notwithstanding the aforesaid, our employees or the employees of our Group’s sub-contractors may be involved in accidents caused by common workplace issues resulting in injuries from time to time given the nature of our operations. During the Track Record Period, our Group has certain relatively minor workplace accidents which resulted in insignificant bodily injuries and did not cause any fatality. With reference to public information on the accident rate and fatality rate for workers in the Hong Kong construction industry, our Directors consider that our Group’s accident rate for its projects for the three years ended 31 December 2012 was lower than the industry average. The table below summarises the accident rates per 1,000 workers and fatality rates per 1,000 workers of the construction industry in Hong Kong and of our Group’s projects:

	For the year ended 31 December					
	2010		2011		2012	
	Accident rate	Fatality rate	Accident rate	Fatality rate	Accident rate	Fatality rate
	<i>(per 1,000 workers)</i>		<i>(per 1,000 workers)</i>		<i>(per 1,000 workers)</i>	
Construction industry in Hong Kong*	52.1	0.163	49.7	0.367	44.3	0.337
Our Group	19.3	0	14.7	0	18.9	0

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	For the year ended 31 March						For the four months ended 31 July	
	2011		2012		2013		2013	
	Accident rate <i>(per 1,000 workers)</i>	Fatality rate	Accident rate <i>(per 1,000 workers)</i>	Fatality rate	Accident rate <i>(per 1,000 workers)</i>	Fatality rate	Accident rate <i>(per 1,000 workers)</i>	Fatality rate
Our Group	18.1	0	19.4	0	13.9	0	3.5	0

* *Source: Occupational Safety and Health Statistics Bulletin Issue No. 13*

Note: Our Group’s accident rate per 1,000 workers is calculated as the occurrence of accidents during the year/period divided by the average number of construction site workers during the year/period and then multiplies the result by 1,000. The average number of construction site workers includes employees of our Group and our sub-contractors.

A table showing our Group’s lost time injuries frequency rates (“**LTIFR(s)**”) is set out below:

For the year ended 31 March 2011	6.8
For the year ended 31 March 2012	7.2
For the year ended 31 March 2013	5.2
For the four months ended 31 July 2013	4.0

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated as multiplying the number of lost time injuries of our Group happened during the relevant financial year/period by 1,000,000 and then dividing by the number of hours worked by the workers at our construction sites over the same financial year/period.

We also had certain claims for employees’ compensation and personal injuries arising from the workplace accidents occurring in our projects, further information of which are set out in the paragraph “Litigation and claims” in this section. We have taken out insurance in compliance with applicable laws and regulations with a view to providing adequate coverage for such work-related injuries for employees and we have not incurred any material liabilities as a result thereof. As such, these accidents did not have a material impact on our Group’s operations.

EMPLOYEES

We had a total of 240, 392, 396 and 359 employees as of 31 March 2011, 2012 and 2013 and 31 July 2013, respectively. For a breakdown of the number of our employees by function as at the Latest Practicable Date, please refer to the section headed “Directors, Senior Management and Employees — Employees”.

We do not need to maintain a large labour workforce as the actual construction work for our projects were mainly carried out by construction workers who are employees of our sub-contractors. Most of our staff working in construction sites are responsible for project management and supervision.

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We place great emphasis on the training and development of our employees and provide a wide range of training programmes for them. Other than internal courses presented by our managers, we also engage outside professionals and consultants to organise seminars and training courses to equip our employees with new knowledge in the industry. In addition, we have set up a graduate engineer training programme, which is recognised by the Hong Kong Institution of Engineers (“HKIE”) as a “Scheme A” approved organisation with discipline in civil engineering. Since 2000, 25 graduate engineers were trained by our Group, 17 of them still remained as employees of our Group as at 31 July 2013 and 8 of whom were qualified professional engineers.

After successful completion of our graduate engineer training programme, the trainee will receive a training certificate so that he/she can apply to become a qualified professional engineer and apply for the HKIE corporate membership within the civil engineering discipline.

We had not experienced any significant problem or dispute with our employees or suffered disruptions due to any labour dispute during the Track Record Period. Our Directors believe that we maintain a good working relationship with our employees.

COMPETITION

The key contractor players of construction industry in Hong Kong comprise local main contractors and overseas contractors, and a large numbers of sub-contractors. A number of the players are both developers and contractors.

Since we shall cease our building construction and maintenance business upon completion of TW7 Project, we consider the companies engaged in civil engineering construction works in Hong Kong that have been approved by the WBDB as Group C contractors under the “Waterworks” category to be our major competitors in the provision of civil engineering construction works. According to WBDB, there were a total of [36] approved contractors listed on the Contractor List under the categories of “Waterworks” for Group C as at the Latest Practicable Date. Approved contractors under other categories may also be our competitors depending on the nature of the projects.

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Ranking of waterworks civil engineering constructors in Hong Kong

The following tables illustrate the market conditions in terms of contract sum of the waterworks contracts awarded to waterworks civil engineering constructors in Hong Kong by WSD in relation to tenders invited during the Track Record Period:

Tenders invited during the year ended 31 March 2011

Rank	Awardee	Contract Sum (HK\$ million)
1	Company V	1,168
2	Company W	975
3	Our Group	617

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender.

Tenders invited during the year ended 31 March 2012

Rank	Awardee	Contract Sum (HK\$ million)
1	Company V	1,623
2	Company X	1,495
3	Company Z and its joint venture	805
4	Company Y	740
5	Company W	533
6	Our Group	345

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender.

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Tender invited during the year ended 31 March 2013

Rank	Awardee	Contract Sum (HK\$ million)
1	Our Group	467
2	Company X	412
3	Company U	327

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender.

Tenders invited during the four months ended 31 July 2013

Rank	Awardee	Contract Sum (HK\$ million)
1	Company Z and its joint venture	[336]
2	Company T	[182]
3	Company V	[127]

Source: The website of The Government of the Hong Kong Special Administrative Region (Gazette) — <http://www.gld.gov.hk/egazette>

Note: The amount represented the contract sum of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender. Up to the Latest Practicable Date, only [three] projects were awarded among all the tenders of waterworks contracts in which only contractors on the List of Approved Contractors under “Waterworks” category (Group C) were eligible to tender invited by WSD during the year ended 31 July 2013.

The competition in the industry in Hong Kong has been fierce in the past few years. We believe that, as one of the largest local civil engineering contractors, we are able to withstand the intense competition due to our competitive strengths as follows:

- Established operating history and track record in civil engineering construction projects
- Well-positioned to capture the emerging business opportunities
- Consistent delivery of high quality services through stringent quality assurance and strong commitment to high safety standard and environmental impact control
- Systematic and effective tender review procedure
- Long-standing relationship with sub-contractors
- Experienced management team

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For details, please refer to the paragraph headed “Our Competitive Strengths” of this section.

The Government adopted a new procurement policy for public works projects that came into effect in May 2004. Instead of awarding the winning bid to the bidder offering the lowest price, under the new procurement policy, evaluations of tenders are based on a formula approach, in which a tenderer’s performance rating is taken into account to a significant extent. While international contractors may have abundant financial resources as well as experience in overseas projects, we believe that their lack of local experience in the technical and management aspects may have a negative impact on their competitiveness in tendering a project.

We also believe that the requirements on the financial, technical and management aspects of a contractor for inclusion on the Contractor List provides an effective entry barrier against international and local contractors who are not currently approved contractors but wish to take part in the waterworks engineering services for the public sector in Hong Kong.

PROPERTIES

Owned properties

As at the Latest Practicable Date, a wholly owned subsidiary of our Company owned car parking space Nos. 54 and 56 on Ground Floor, Oxford Court, Nos. 24–26 Braemar Hill Road, North Point, Hong Kong. Such owned properties are held for investment purposes.

We do not engage in any property activities as defined in [•]. As of 31 July 2013, no single property owned by us had a carrying value exceeding 15% of our total assets. No property valuation report in respect of our property interests is required in reliance upon the exemption provided by [•].

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Leased properties

Our headquarters and principal place of business is situated at No. 155, Waterloo Road, Kowloon Tong, Kowloon, Hong Kong. As of the Latest Practicable Date, we leased the head office and principal place of business from a wholly owned subsidiary of one of our Controlling Shareholders, Vantage. Other than office premises, we also rented other premises from Independent Third Parties as construction site offices. Particulars of the lease agreement in relation to our principal place of business are set forth in the section headed “Connected Transactions” in this document.

LEGAL AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we have been in compliance in all material aspects with the applicable laws and regulations and have obtained all necessary approvals, permits license, certificates that are material to our business operations from the relevant government authorities. We had not been involved in the short piling scandal that had affected the Hong Kong Housing Authority in 2000.

Contractors qualified or licensed by the relevant authorities are subject to a regulatory regime which is put in place to ensure that standards of financial capability, expertise, management, environmental and safety are maintained by contractors which carry out Government works. Please refer to the section headed “Regulatory Overview” in this document for summaries of the applicable laws and regulations of the construction industry of Hong Kong.

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The following table summarises the details of the major qualifications and licences obtained by the members of our Group as an approved contractor as at the Latest Practicable Date:

Relevant Government authority/organisation	Relevant list/category	Status	Holder/year of inclusion
WBDB	Approved contractors for public works — Waterworks category (Group C)	Confirmed	EXCEL/2005
WBDB	Approved contractors for public works — Roads and drainage category (Group C)	Probationary	EXCEL/1997
WBDB	Approved contractors for public works — Buildings category (Group A)	Confirmed	EXCEL/1982
WBDB	Approved specialist contractors for public works — Landslip preventive/remedial works to slopes/retaining walls category	Confirmed	EXCEL/2010
WBDB	Approved contractors for public works — Waterworks category (Group B)	Probationary	GADELLY/1998
Hong Kong Housing Authority	Approved building contractors — Maintenance category (Group M2)	Probationary	EXCEL/1993
Hong Kong Housing Authority Buildings Department	Approved decoration contractors	Effective	EXCEL/1994
Buildings Department	Registered general building contractors	Effective	EXCEL/1999
Buildings Department	Registered specialist contractors — Foundation works category	Effective	EXCEL/2000
Buildings Department	Registered specialist contractors — Site formation works category	Effective	EXCEL/2000
Electrical and Mechanical Services Department	Electrical works — Registered electrical contractor	Effective	EXCEL/2012

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Pursuant to the Buildings Ordinance, it is required for the applicant of the general building contractors licence or specialist contractors licence to appoint at least one person to act for the applicant (the “**Authorised Signatory**”) and to appoint at least one director from the board of directors of the applicant as technical director as key personnel. Our Group has appointed our Director, Mr. Li Chi Pong, as the Authorised Signatory and our Director, Mr. Poon Yan Min, as the technical director for the general building contractors licence and the specialist contractors licences.

For licences issued by WBDB, the contractor is required to comply with the top management and/or technical staff requirements as specified in the Contractor Management Handbook. Our Director, Mr. Li Chi Pong acts as the top management for (i) waterworks, (ii) roads and drainage, (iii) buildings and (iv) landslip preventive/remedial works to slopes/retaining walls categories. Our members of the senior management Mr. Tang Quoc Tri (our contracts manager), Mr. Poon Yan Min (our Director), Mr. Wong Kin Sang (our project manager) and Mr. Chung Tsz Wing (an engineer in our Group) act as technical personnel for (i) waterworks, (ii) roads and drainage, (iii) buildings and (iv) landslip preventive/remedial works to slopes/retaining walls categories respectively. Our Group has also assigned Mr. Lai Kon Ting, our project manager, as professional staff and Mr. Pak Lung Kong, a safety officer in our Group, as safety staff for landslip preventive/remedial works to slopes/retaining walls category.

As there are other employees in our Group who possess the qualifications and experience to be the key personnel as specified above and there is a substantial number of such specialists available in the market, our Directors are of the view that our Group will be able to maintain its licenced contractors status if there is a departure of any licenced specialist.

Our Directors confirm that all members of our Group have been granted all the required licences and approval for carrying on their respective business activities and confirm that such required licences and approvals were valid and subsisting as at the Latest Practicable Date. Apart from the qualifications and licences set forth above, our Directors further confirm that no other qualifications and licences are required to be obtained or applied for in respect of the current business activities of all members of our Group.

INSURANCE

It is a practice in Hong Kong construction industry that the main contractor of a project will take out and maintain employees’ compensation insurance and contractor’s all risks insurance for the entire project. The insurance policy generally covers the entire contract period, including the defect liability period following completion of the project. Our Directors will ensure that all the necessary and the required insurance policies will be taken out and maintained in accordance with the requirements of the relevant contractual documents and the applicable laws and regulations.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group or the respective project owner (to the knowledge of our Directors) has taken out and maintained insurance policies in respect of employees’ compensation and contractors’ all risks for the projects in which members of our Group act

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as main contractors. The employees’ compensation insurance policies provide for a maximum limit of liability of up to HK\$200 million per event. Our Directors confirm that the insurance policies in respect of employees’ compensation maintained by us cover the employees of our sub-contractors and further sub-contractors down the tiers.

Our Directors also believe that the above arrangements are consistent with the industry practice in Hong Kong. During the Track Record Period, no member of our Group was required to make any additional payment for settlement of claims because of insufficient coverage in the insurance policies taken out by us. On this basis, our Directors consider that all the necessary and the required insurance policies have been maintained in accordance with the relevant contractual documents and the applicable laws and regulations.

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, the total insurance premium for our projects amounted to approximately HK\$1.7 million, HK\$29.7 million, HK\$23.2 million and HK\$0.9 million, respectively. Our Directors confirm that our Group has obtained adequate insurance coverage for the operation of our business.

LITIGATION AND CLAIMS

In the ordinary course of our Group’s civil engineering construction business, our Group has been subject to a number of claims, mainly due to personal injuries suffered by employees of our Group or our Group’s sub-contractors in accidents arising out of and in the course of their employment or claims arising from the quality or the timing of the work performed under various contracts. Our Directors are of the view that occurrence of personal injuries is not uncommon in the industry. In the past, there were accidents which occurred in connection with our civil engineering construction projects, which resulted in persons being injured during the Track Record Period and up to the Latest Practicable Date. All of the outstanding claims are being handled by our Group’s insurance companies. Our Directors are of the opinion that such claims are well covered by insurance and would not result in any material impact on the financial position or results and operations of our Group.

Save as disclosed below, our Directors confirm that we have not been involved in any other litigation, proceedings, or claims during the Track Record Period and as at the Latest Practicable Date, the outcome of which we believe might, individually or taken as a whole, materially and adversely affect our business, operations or financial condition.

During the Track Record Period and as at the Latest Practicable Date, our Group had been or is involved in a number of claims and potential litigation against our Group mainly arising from common workplace accidents for our Group’s projects.

There were [51] outstanding claims as at the Latest Practicable Date and [42] claims settled for the accidents occurred during the Track Record Period and up to the Latest Practicable Date, further details of which are set out below. These [93] claims involved [90] accidents that occurred during the Track Record Period and up to the Latest Practicable Date. Among the total of [90] accidents involved for the claims, [30] arose out of injuries

BUSINESS

suffered as a result of slipping on grounds, [6] arose out of falling from height, [23] arose out of improper manual handling, [17] arose out of careless use of hand tools and equipment and the remaining [14] arose out of other causes, details of which are set out below.

Outstanding employees’ compensation and personal injuries claims against our Group as at the Latest Practicable Date

The table below summarises the [51] outstanding employees’ compensation and personal injuries claims against our Group as at the Latest Practicable Date. All of the claims set out below are covered by insurance. As the claims are dealt with and handled by the insurers, our Group does not have access to information relating to the claim amounts involved under the claims. Our Group did not incur legal expenses associated with the employees’ compensation and personal injuries claims as such legal expenses are covered by our Group’s insurance policies or recovered from our sub-contractors. The insurance maintained by our Group covers all accidents involving sub-contractors’ employees unless the accidents are related to breaches of health and safety rules and regulations. Under the sub-contracting arrangements between our Group and our sub-contractors, our sub-contractors shall indemnify us against all liabilities and claims against us. As such, our Directors are of the view that the personal injuries claims by third parties will be recovered from our sub-contractors if the relevant claims are not covered by insurance. As at the Latest Practicable Date, based on the information provided by the solicitors appointed by the insurers on [2] of the [51] outstanding claims, the solicitors estimated that the damages claimed by the plaintiff in [1] outstanding personal injuries claim would be in the range from approximately HK\$[1.5] million to HK\$[3.1] million plus interest and costs while the amount of compensation payable to the plaintiff in [1] outstanding employees’ compensation claim would be approximately HK\$150,000. Save as the claims set out above, we are not in the position to assess the likely quantum of the other [49] claims.

Category of claims	Number of claims	Covered by insurance or recovered from sub-contractors
Employees’ compensation claims for which the injured persons have filed form 2 (<i>Note</i>) but are still on sick leave for their injuries or their cases are under investigation	[37]	All the claims are covered by insurance
Employees’ compensation claims for which the injured persons have commenced legal proceedings against our Group and the sub-contractors, and our Group was joined as a defendant in the capacity as a main contractor	[10]	All the claims are covered by insurance

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Category of claims	Number of claims	Covered by insurance or recovered from sub-contractors
Personal injuries claims by third parties	[4]	All the claims are covered by insurance or recovered from sub-contractors

Note: According to section 15 of the Employees’ Compensation Ordinance, an employer must notify the Commissioner for Labour of any accident by submitting a form 2.

As such injured persons have not yet filed claims with particulars and the claims, when filed, will be handled by solicitors appointed by the insurers, we are not in the position to assess the likely quantum of such potential claims.

Among the [51] claims as set out in the table above:

- (a) [3] claims arose from accidents occurring during the year ended 31 March 2011, [8] from accidents occurring during the year ended 31 March 2012, [17] from accidents occurring during the year ended 31 March 2013, [13] from accidents occurring during the four months ended 31 July 2013 and [10] from accidents occurring subsequent to 31 July 2013 and up to the Latest Practicable Date.
- (b) [13] claims were related to injuries suffered as a result of slipping on grounds, [5] related to falling from height, [13] related to improper manual handling, [10] related to careless use of hand tools and equipment and the remaining [10] related to other causes.
- (c) there were [45] claims against our Group and the relevant sub-contractors for which our Group was joined as a defendant in the capacity as a main contractor and the remaining [6] claims were against our Group only.
- (d) [2] claims were in relation to our Group’s employees, [45] in relation to employees of our sub-contractors (including [1] in relation to an employee of Able Contractors), and the remaining [4] were in relation to third parties.

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Employees’ compensation and personal injuries claims against our Group fully settled by our Group (whether by way of court judgment or out of court settlement) for the accidents occurred during the Track Record Period and up to the Latest Practicable Date

The table below summarises the [42] settled employees’ compensation and personal injuries claims against our Group for the accidents occurred during the Track Record Period and up to the Latest Practicable Date, all of which were fully covered by insurance.

Category of claims	Number of claims	Total amount settled (approximately HK\$ million)
Employees’ compensation claims settled by way of court judgment	[8]	[1.8]
Employees’ compensation claims settled by out of court settlement	[30]	[3.7]
Personal injuries claims settled by way of court judgment	[4]	[1.0]

Note: Among the [8] employees’ compensation claims settled by way of court judgment, the settled amount of one of the claims is not known yet as of Latest Practicable Date and is not reflected in the table above.

Potential personal injuries claims and material claims against our Group as at the Latest Practicable Date

In the table under the paragraph headed “Outstanding employees’ compensation and personal injuries claims against our Group as at the Latest Practicable Date” in this section, there were [37] outstanding employees’ compensation claims for which all the relevant [37] injured persons have filed their employees’ compensation claims but are still on sick leave or their cases are under investigation. As such, such [37] claims have the possibility of turning into personal injuries claims, but the relevant potential personal injuries claims under common law against our Group have not commenced as at Latest Practicable Date. Among these potential personal injuries claims, [2] are in relation to our Group’s employees and the remaining [35] potential personal injuries claims are in relation to employees of our sub-contractors, including [1] in relation to an employee of Able Contractors. All injured persons have suffered insignificant bodily injuries and to the best and latest knowledge of our Directors, all the claims have no material financial and operational impact on our Group. Since no civil action has commenced, and such injured persons have not yet filed claims with particulars and the claims, when filed, will be handled by solicitors appointed by the insurers, we are not in a position to assess the likely quantum of such potential claims. In any event, our Group has insurance cover for its liabilities of all these accidents and as at the Latest Practicable Date, notices of the accidents have been given to the insurers. For the [37] potential personal injuries claims which the injured persons were deemed employees of our Group, either directly employed by our Group or by our Group’s sub-contractors, it is expected they would be fully covered by the mandatory insurance held by our Group.

BUSINESS

Our Directors are of the view that the major outstanding claims generally arose as a result of accidents due to insufficient safety and health awareness amongst the employees. To improve the safety standard and reduce the re-occurrence of workplace accidents for our Group’s projects, our Group has taken the following improvement measures against certain common workplace accidents:-

(1) Slipping on grounds

We have improved site tidiness, installed proper warning signs and enhanced training and supervision to increase safety awareness of the employees. All employees are provided with safety shoes.

(2) Falling from height

We have enhanced fencing of the working area, provided proper access and egress, installed railing and ensured the use of personal equipment such as harness.

(3) Improper manual handling

We have enhanced training on manual handling procedures to ensure proper use of personal protective equipment.

(4) Careless use of hand tools and equipment

We have provided pre-work training and briefing to all workers to enhance their safety awareness and prevent re-occurrence of accidents. All employees are provided with safety equipment such as safety gloves.

We take workplace safety seriously and are committed to providing a safe and healthy working environment. Please refer to the section headed “Labour, Health and Safety Matters” in this document for the safety measures implemented by our Group.

Renewal of licences of our Group

Our Group holds the general building contractors licence, specialist contractors licences, the electrical contractor licence and other qualifications approved by the Hong Kong Housing Authority and WBDB. Most of these licences and qualifications have been obtained by our Group for more than 12 years.

As our Group has been granted the renewal of the general building contractors licence and specialist contractors licences issued by the Buildings Department and the electrical contractor licence issued by the Electrical and Mechanical Services Department in 2011 and 2012, our Directors are of the view that the validity of such licences would not be affected by the accidents and related litigations and claims against our Group mentioned in this document as no fatal accidents had ever occurred.

Our Group has never been refused to renew its general building contractors, specialist contractors and electrical contractor licences.

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INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, our Group had certain trademarks registered in Hong Kong. Particulars of such registered trademarks are set out in Appendix IV to this document.

As at the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or any of our subsidiaries in relation to the infringement of any intellectual property rights of third parties.

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CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Summary

Following completion of the [•], we will continue to have certain transactions which are conducted in our ordinary and usual course of business, and constitute continuing connected transactions pursuant to the [•]. Set out below is a summary of these continuing connected transactions.

Item	Parties involved	Nature of transaction	Duration of agreement	Annual caps for the financial year ending 31 March		
				2014	2015	2016
				<i>(HK\$ million)</i>		
(A)	(1) EXCEL, a wholly-owned subsidiary of our Company; and (2) Able Contractors, a wholly-owned subsidiary of Vantage	Sub-contract of carcass works for TW7 Project by EXCEL to Able Contractors	three years from [•] 2013			
		(i) Sub-contracting fee payable to Able Contractors		763	208	27
		(ii) Amounts for reimbursement of staff costs to be received from Able Contractors		8	3	Nil
(B)	(1) Frason Holdings Limited (“Frason”) a wholly-owned subsidiary of Vantage, one of our Controlling Shareholders; and (2) EXCEL, a wholly-owned subsidiary of our Company	Lease of office premises and two car parking spaces by Frason to EXCEL	1 June 2013 to 31 May 2016	N/A	N/A	N/A

Non-exempt continuing connected transaction

Sub-contract of carcass works for TW7 Project

Able Contractors is a connected person of our Company by virtue of it being a wholly-owned subsidiary of Vantage, one of our Controlling Shareholders.

CONNECTED TRANSACTIONS

(i) Description of the transaction

While our Group shall focus on civil engineering construction business which is our core business upon [•], there is still one remaining private residential building construction project currently in progress, TW7 Project, which started in August 2011. This project was undertaken by EXCEL as the main contractor with the intention of diversifying risks and establishing track records on different nature of construction projects among member companies of the Vantage Group for the Vantage Group as a whole. When EXCEL tendered for TW7 Project, it was then decided within the Vantage Group for EXCEL to sub-contract the project to Able Contractors as the project is in the nature of building construction for which Able Contractors possesses the relevant expertise and technical experience.

EXCEL was awarded the tender and accordingly our Group as main contractor has, in August 2011, sub-contracted the carcass works for TW7 Project to Able Contractors which shall be responsible for providing all expertise, staff, labour, materials, constructional plant, transport, temporary work, working drawing and details required for the execution, completion and maintenance of the carcass works for TW7 Project.

The tendering price of TW7 Project was based on the then estimated cost of the project and the estimated overall profit margin of 2% of the contract sum was set by taking into account, among other things, the then market condition and level of competition, as well as the relatively lower execution risk for us on the project as our Group, being part of the Vantage Group do not have to seek any external sub-contractors for execution of the project. As the contract sum of TW7 Project amounted to approximately HK\$1.61 billion, our Group considered that our share of 1% of the contract sum which represented half of the then estimated overall profit margin for the project would be reasonable in the circumstances. Therefore, it was agreed by EXCEL and Able Contractors that the consideration for providing such sub-contracting works by Able Contractors to our Group to be 99% of the price of the main contract of TW7 Project. Our Group has also provided certain staff to assist or supervise Able Contractors under TW7 Project and in return, Able Contractors would reimburse our Group based on the cost of the relevant staff and the hours spent.

Our Group expects to continue sub-contracting the carcass works for TW7 Project to Able Contractors after the [•] with all works expected to be completed by mid-2014. However, due to the time required for certifying completion and relevant billing process, part of the relevant sub-contracting fees may only be paid to Able Contractors after the year ending 31 March 2016, depending on the progress of TW7 Project. Also, we will continue to provide our staff to Able Contractors until completion of the project, and will accordingly receive reimbursement on cost basis from the Retained Vantage Group. The sub-contracting arrangement between our Group and Able Contractors after the [•] shall be governed by the Sub-Contracting Agreement (as defined in paragraph (iii) below).

CONNECTED TRANSACTIONS

(ii) Historical transaction amounts

For each of the three years ended 31 March 2013 and the four months ended 31 July 2013, the sub-contracting fees paid to Able Contractors by our Group were approximately nil, HK\$166.8 million, HK\$504.4 million and HK\$428.6 million respectively and the amounts for reimbursement of staff costs received from Able Contractors, as part of our management fee income from the Retained Vantage Group, were approximately nil, HK\$1.3 million, HK\$9.9 million and HK\$2.5 million respectively. We received management fee income of approximately nil, HK\$2.9 million, HK\$14.0 million and HK\$2.5 million from the Retained Vantage Group for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively, which consisted of (i) the staff cost reimbursement mentioned above, and (ii) recovery of certain amounts of corporate expenses of the Vantage Group shared by us which has ceased and hence will not constitute connected transaction for us upon [•]. Further information relating to our management fee income received from the Retained Vantage Group is set out in the paragraph “Our other income and gains” in the section headed “Financial Information” in this document.

(iii) Sub-contracting Agreement

On [•] 2013, EXCEL and Able Contractors entered into a sub-contracting agreement (the “**Sub-contracting Agreement**”) for a term of three years, pursuant to which:

- (a) Able Contractors shall execute, complete and maintain the carcass works for TW7 Project in accordance with the Sub-contracting Agreement and to the reasonable satisfaction of EXCEL and of Company A, the employer in the main contract in consideration of EXCEL agreeing to pay to Able Contractors 99% of the price of the main contract; and
- (b) Able Contractors shall provide all expertise, staff, labour, materials, constructional plant, transport, temporary work, working drawing and details and everything whether of a permanent or temporary nature required for the execution, completion and maintenance of the carcass works for TW7 Project provided that: (i) at the request of Able Contractors or at EXCEL’s own absolute discretion, EXCEL may (but not obliged to) provide such staff as it may consider appropriate to assist or supervise Able Contractors in the performance by Able Contractors of its obligations under the Sub-contracting Agreement, and Able Contractors shall reimburse EXCEL basing on the cost of such staff and the hours spent; and (ii) EXCEL has the right (but not the obligations) to purchase materials which in its absolute discretion consider necessary or desirable for the main contract, and require Able Contractors to reimburse EXCEL the cost incurred by EXCEL in purchasing such materials.

The fees for such sub-contracting services were determined based on arm’s length negotiation and with reference to, among other things, the then project budget for tendering for TW7 Project.

CONNECTED TRANSACTIONS

Our Group considered that the terms of the sub-contracting arrangement with the Retained Vantage Group are reasonable and represent normal commercial terms after taking into account the following factors:

- (1) Able Contractors, as the sub-contractor, is responsible for all the actual work to be carried out in the construction sites. It also bears the risks of the project cost overrun and other claims and liabilities in relation to the actual onsite work. Able Contractors also has to reimburse EXCEL for the safety insurance bought on its behalf.

EXCEL shall be held responsible to the customer as the main contractor should there be any breach of the main contract due to non-performance of the contract or delay in completion of the construction work done by Able Contractors. As such, EXCEL has to monitor the overall onsite operation by Able Contractors and provide technical assistance or expertise when required to ensure timely and efficient performance of work by Able Contractors.

- (2) When setting the profit margin and the tender price, EXCEL and Able Contractors had to consider the chance of success in tendering the project. If the profit margin was set too high, the chance of successful tender might be lowered significantly due to the high tender price. As such, the initial target profit margin of TW7 Project and the agreed spread of the profit margin among EXCEL and Able Contractors, which was determined before the actual execution of the project, had to take account of, among other factors, competitiveness to obtain the award of the relevant tender. Further, the agreed spread of profit margin among EXCEL and Able Contractors was set based on initial project budget for tendering purpose. Hence, it is possible and not fully controllable by EXCEL and Able Contractors that the actual profit margin achieved by Able Contractors, which acts as the sub-contractor and bears the actual project cost overrun risk, may deviate from its initial target profit margin as agreed with EXCEL at the time of tendering and entering into the relevant sub-contracting agreement. As advised by the Retained Vantage Group, the actual profit margin from TW7 Project earned by the Retained Vantage Group during the Track Record Period was 0.01%.

- (3) The sub-contracting fee paid to Able Contractors would be settled generally within one month upon receiving payment from our customer. Able Contractors is the only building construction sub-contractor that EXCEL has been working with in the past. There is no Independent Third Party sub-contracting agreement that can be used comparable in relation to credit terms arrangement for building construction projects. For Independent Third Party sub-contractors which the Group has dealt with for its civil engineering works projects, generally the Group would pay within 30 days after the completion of corresponding portion of contract works is certified by the Group’s customers, which is comparable to what is granted by Able Contractors.

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CONNECTED TRANSACTIONS

The above transactions are and will continue to be entered into within the ordinary and usual course of our business and on normal commercial terms.

(iv) Annual caps on future transaction amounts

In accordance with [•] of the [•], our Company has set the abovementioned annual caps for the maximum sub-contracting fee payable to Able Contractors and the maximum amounts for reimbursement of staff costs to be received by our Group for each of the three years ending 31 March 2014, 2015 and 2016.

The abovementioned annual caps in respect of the Sub-contracting Agreement have been determined on the following bases:

- (a) **Sub-contracting fee:** With reference to (i) the agreed sub-contracting fee percentage, i.e. 99%, (ii) the current and estimated future project progress, (iii) the time required for certifying completion and relevant billing process and (iv) estimation of amount of variation order; and
- (b) **Amounts for reimbursement of staff costs to be received:** With reference to (i) the number of staff expected to be provided to Able Contractors, (ii) the estimated time for the staff provided by EXCEL to spend on the project, and (iii) the current and estimated future project progress.

(v) [•] requirements

As the highest relevant percentage ratios in respect of the Sub-contracting Agreement to be made between Able Contractors and our Group will be, on an annual basis, more than 25% and the annual consideration is more than HK\$10,000,000, they will pursuant to [•] of the [•], be subject to [•].

Exempt continuing connected transaction

Lease of office premises

(i) Description of the transaction

During the Track Record Period, our Group has been using our head office and principal place of business owned by the Retained Vantage Group. We paid a management fee to Vantage for sharing of its corporate expenses which included the cost of using our head office and related utilities, and certain administrative and operating costs of Vantage during the three years ended 31 March 2013. We intend to lease our existing head office from the Retained Vantage Group after the [•]. Accordingly, EXCEL has entered into the Tenancy Agreement (as defined below).

Frason is a connected person of our Company by virtue of it being a wholly-owned subsidiary of Vantage, one of our Controlling Shareholders. On 31 July 2013, Frason and EXCEL entered into a tenancy agreement (the “**Tenancy Agreement**”) pursuant to which Frason as Landlord agreed to lease to EXCEL the office premises at No. 155 Waterloo

CONNECTED TRANSACTIONS

Road, Kowloon Tong, Hong Kong (the “**Property**”) with a gross floor area of approximately 183.21 square metres and two car parking spaces for a term of 3 years from 1 June 2013 to 31 May 2016 (both dates inclusive) at a monthly rent of HK\$51,700 (exclusive of utility and other property related miscellaneous expenses).

The monthly rent is calculated based on the floor area used by us and the latest ratable value of the Property, as set out in the demand note issued by the HKSAR Government in April 2013. For the four months ended 31 July 2013, the rent paid pursuant to the Tenancy Agreement amounted to approximately HK\$207,000.

(ii) [•] requirements

As the highest relevant percentage ratios in respect of the Tenancy Agreement entered into between Frason and our Group will be, on an annual basis, less than 5% and the annual consideration is less than HK\$1,000,000, they will, pursuant to [•] of the [•] constitute *de minimis* continuing connected transactions exempt from the [•].

Waiver from compliance with [•] and [•] requirements

Under the [•], the continuing connected transaction under the Sub-Contracting Agreement described above (the “**Non-exempt continuing connected transaction**”) would require compliance with the [•] of the [•] and the prior independent shareholders’ approval requirement set out in [•] after the completion of the [•].

Since the Non-exempt continuing connected transaction described above is expected to continue on a recurring basis after the [•], and has been entered into prior to the [•] Date which has been fully disclosed in this document, we have applied to the [•], and the [•] has granted us a waiver pursuant to [•] of the [•] from strict compliance with the [•] of the [•]. In addition, we confirm that we will comply with [•] of the [•] in relation to the [•] described above.

Confirmation from our Directors

As the Non-exempt continuing connected transaction with the Retained Vantage Group is conducted (i) on normal commercial terms and (ii) on terms no more favourable to the Retained Vantage Group than those available to Independent Third Parties, our Directors (including our independent non-executive Directors) consider that the terms (including the annual caps) of the Non-exempt continuing connected transaction in relation to the Sub-contracting Agreement are fair and reasonable and has been entered into in the ordinary and usual course of business of our Group, on normal commercial terms and in the interests of our Company and our Shareholders as a whole, and the proposed annual caps for the Non-exempt continuing connected transaction are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the [•] and the Capitalisation Issue and assuming the [•] Option is not exercised, Vantage will, through its wholly-owned subsidiary, Profit Chain, own [•]% of our enlarged issued share capital. Mr. Ngai is beneficially interested in approximately [•]% equity of the issued capital of Vantage. Vantage and Mr. Ngai will continue to be our Controlling Shareholders. As of the Latest Practicable Date, apart from the shareholding interests in our Group and otherwise disclosed in this document, Vantage does not own any shareholding interests in any other company which carries on a business that competes with the civil engineering construction business of our Group.

DELINEATION OF BUSINESS ACTIVITIES

Our Group is a main contractor providing both civil engineering and building construction services to the public and private sectors in Hong Kong, in which civil engineering construction works is the core business of our Group. Our civil engineering construction services are mainly applied to (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works, for the public and private sectors in Hong Kong and our building construction services are applied to carcass works for private residential development in Hong Kong. To a lesser extent, we also engage in building repairs and maintenance works.

The Retained Vantage Group is principally engaged in property investment and development and a wide range of public and private sectors building construction and maintenance works in Hong Kong (“**Building Construction Business**”) including construction of Government, institutional buildings and public housing.

As part of the effort to ensure clear delineation of business activities between our Group and the Retained Vantage Group after the [•], our Group will continue to focus on civil engineering construction business which is our core business and shall cease engaging in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014.

Although both our Group and the Retained Vantage Group are engaged in a wide range of public and private sectors construction works in Hong Kong, different approved contractor categories apply to the building construction and maintenance business and the civil engineering construction business for public works in Hong Kong. Such categorisation on approved contractor works has effectively formed clear distinction and delineation between the two lines of construction businesses engaged by our Group and the Retained Vantage Group.

Our Group and the Retained Vantage Group comprise of entities that are Approved Contractors (as defined below). According to Section 2 of the Contractor Management Handbook (Revision B), “Rules for Administration of the List of Approved Contractors for Public Works” (“**Rules for Administration of Approved Contractors**”), issued by the Development Bureau and updated on 30 April 2012. Contractors who are approved for public works (“**Approved Contractors**”) are categorised in five works categories (“**Works Category(ies)**”); (1) building, (2) port works, (3) roads and drainage, (4) site formation, and

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(5) waterworks. Approved contractor within each category are further divided into three groups (“**Group(s)**”) — Group A, B or C — according to the value of contracts for which they are normally eligible to tender. The suitability of admitting a contractor into one or more Works Category(ies) and in a particular group is assessed on the basis of both the contractor’s global business activity and its activity in Hong Kong following its application for admission. The relevant governmental department responsible for servicing and monitoring the performance of the contractors within Works Category will investigate whether an applicant for a license has appropriate technical and management capability in respect of the relevant Works Category and group.

Currently, our Group holds the following, among others, licences from the Development Bureau:

- (a) a probationary Group B licence and a confirmed Group C licence in waterworks which allows our Group to tender for waterworks contracts of the public sector of value up to HK\$75 million and any value exceeding HK\$75 million respectively;
- (b) a probationary Group C licence in roads and drainage which allows our Group to tender for roads and drainage contracts of the public sector of any value exceeding HK\$75 million provided that the total number of the Group C contracts that our Group already holds and the Group C contracts being procured under the same category does not exceed two and that the total value of works in the Group C contracts that our Group already holds and the Group C contracts being procured under the same category does not exceed HK\$220 million; and
- (c) a licence in landslip preventive and remedial works to slopes and retaining walls.

Currently, the Retained Vantage Group holds a confirmed Group C licence in buildings from the Development Bureau which allows it to tender for buildings contracts of the public sector of any value exceeding HK\$75 million. The Retained Vantage Group does not hold any licence of any group in the categories of road and drainage works or waterworks and the lack of the aforementioned licence in the Retained Vantage Group, after the [•], effectively precludes the Retained Vantage Group from tendering for any road and drainage works or waterworks contracts in the public sector.

Although our Group has obtained some industry licences or recognition applicable to Building Construction Business for both public and private works and is holding the licence approved by Hong Kong Housing Authority under the category of probationary “M2 Building (Maintenance)” (“**M2 Licence**”), the Retained Vantage Group and our Group have been operated as separate profits centres concentrating on works for different market segments. Our Group has undertaken that after the [•], we will not use the M2 Licence to tender for or to carry out any Building Construction Business. As such, the overlapping licence due to historical reasons shall not in any way affect the delineation of the business of the Retained Vantage Group and our Group.

Further, after the [•], there will be mechanisms in place to ensure a clear delineation between the retained business of the Retained Vantage Group and the business of our Group by way of Vantage entering into a Deed of Non-competition with our Company.

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RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

After the [•], our Group will have independent senior management team to carry out the business decisions and independent financial and accounting systems and will establish its own organisational structure made up of individual departments, each with specific areas of responsibilities.

SUB-CONTRACTING BETWEEN OUR GROUP AND RETAINED VANTAGE GROUP

There were three projects sub-contracted to Able Contractors, namely the TKO Project, MOS Project and TW7 Project, for which we recorded revenue during the Track Record Period. Taking into account the then circumstances mentioned below and the fact that EXCEL is a member company of the Vantage Group, our Directors consider that such three sub-contracting agreements were entered into on normal commercial terms.

TKO Project (completed before the commencement of the Track Record Period)

TKO Project involved the construction of a road for the proposed residential development in Tseung Kwan O, New Territories. TKO Project required the General Building Works licence and Site Formation Works licence registered under the Buildings Department.

This project was undertaken by EXCEL, as the project was in the nature of civil engineering works and was separately tendered. Given that the project involved a road which was part of a bigger residential building project of the Vantage Group, for efficiency and cost saving, the Vantage Group assigned Able Contractors to work on the whole project. As such, EXCEL sub-contracted this project to Able Contractors.

The contract sum of TKO Project was approximately HK\$37 million. This project commenced on 9 August 2006 and was completed on 8 April 2009. The sub-contracting fee paid by EXCEL to Able Contractors was 97% of the total contract sum. The sub-contracting fee was determined and agreed between EXCEL and Able Contractors after arm’s length negotiation, taking into account, among other things, the market conditions, the level of competition and the absolute value of the sub-contracting fee, in order to set a competitive and profit maximising tendering price for TKO Project.

MOS Project (completed during the Track Record Period)

MOS Project involved carcass works for the proposed residential development in Ma On Shan, New Territories. MOS Project required the General Building Works licence registered under the Buildings Department.

This project was undertaken by EXCEL with the intention of diversifying risks and establishing track records on different nature of construction projects among member companies of the Vantage Group for the Vantage Group as a whole. When EXCEL tendered for MOS Project, it was then decided within the Vantage Group for EXCEL to sub-contract the project to Able Contractors as the project was in the nature of building construction for which Able Contractors possesses the expertise and technical experience.

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The contract sum of MOS Project was approximately HK\$545.0 million. The project commenced on 17 August 2009 and was completed on 19 March 2011. Due to adverse market condition and high level of competition after the financial crisis in 2008, the project was tendered with a price determined based on the estimated total cost of the project with zero profit margin. The project was sub-contracted to Able Contractors with a sub-contracting fee which is equal to the total contract sum.

TW7 Project (expected to be completed in mid-2014)

For details of TW7 Project, please refer to the section headed “Connected Transactions — Non-exempt continuing connected transaction” in this document.

NON-COMPETITION UNDERTAKING FROM RETAINED VANTAGE GROUP

In order to eliminate any future competing business with our Group, on [•], Vantage entered into a Deed of Non-competition with our Company pursuant to which Vantage irrevocably undertakes and covenants with our Company that the Retained Vantage Group will not:

- (a) solicit, interfere with or endeavour to entice away from our Group any person, firm, company or organisation who to its knowledge is from time to time or has at any time within the immediate past two years before the date of this document been a customer, supplier or employee of our Group;
- (b) be engaged, interested or otherwise involved, directly or indirectly, in civil engineering construction business (including but not limited to waterworks, roads and drainage works, landslip preventative and remedial works to slopes and retaining walls, and utilities civil engineering works) and any business in any form or manner that is or is likely to be in competition with that of any member of our Group or our Group as a whole from time to time (excluding, for the avoidance of doubt, the business of building construction, building maintenance, property investment and property development, which Vantage and its subsidiaries (excluding our Group) currently and from time to time engage in);
- (c) at any time employ any person who has been a director, manager, employee of or consultant to our Group who is or may be likely to be in possession of any confidential information or trade secrets relating to civil engineering construction business (including but not limited to waterworks, roads and drainage works, landslip preventative and remedial works to slopes and retaining walls, and utilities civil engineering works) and any business in any form or manner that is or is likely to be in competition with that of any member of our Group or our Group as a whole from time to time (excluding, for the avoidance of doubt, the business of building construction, building maintenance, property investment and property development, which Vantage and its subsidiaries (excluding our Group) currently and from time to time engage in); and

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- (d) directly or indirectly solicit or persuade any person who has dealt with our Group or is in the process of negotiating with our Group in relation to civil engineering construction business (including but not limited to waterworks, roads and drainage works, landslip preventative and remedial works to slopes and retaining walls, and utilities civil engineering works) and any business in any form or manner that is or is likely to be in competition with that of any member of our Group or our Group as a whole from time to time (excluding, for the avoidance of doubt, the business of building construction, building maintenance, property investment and property development, which Vantage and its subsidiaries (excluding our Group) currently and from time to time engage in) or cease to deal with our Group or reduce the amount of business which the person would normally do with our Group.

Notwithstanding the undertakings under (a) to (d) above, nothing shall prevent Vantage after the [•] from acquiring or holding interests in equity securities issued by any company engaged in civil engineering construction business or related businesses provided that each of them (individually or together) will not directly or indirectly own more than 5% of the total issued share capital of such company or control the exercise of more than 5% of the voting rights thereof or control the composition of the board of directors of such company.

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RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM RETAINED VANTAGE GROUP

We believe we are able to operate independently of Vantage as explained in more details below.

MANAGEMENT INDEPENDENCE

Our Board consists of 6 members, comprising 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. Our two executive Directors namely, Mr. Li Chi Pong and Mr. Poon Yan Min, have been running the day-to-day operations of our Group with the senior management during all of the Track Record Period. They will be expected to devote their resources and time in our Group upon [•] and will continue to oversee and manage the day-to-day operations of our Group. Our non-executive Director who is also the chief executive officer, executive director and deputy chairman of the board of directors of Vantage will not have any operation management function in our Group, but as we are a subsidiary of Vantage, it is expected that Vantage will have a board presence at our board level through the non-executive Director.

10 members of our senior management, namely, 8, have been with us during the Track Record Period. Together with our two executive Directors, namely, Mr. Li Chi Pong and Mr. Poon Yan Min, they constitute the core management team of our Group responsible for forming our important decisions during the Track Record Period. It is expected that after [•], we will continue to be centrally managed by such core management. Our non-executive Director is not responsible for the day-to-day operations and execution of business decisions of our Group and he is involved in high level strategic planning decision making processes.

Even though our non-executive Director, Mr. Yau Kwok Fai is also the chief executive officer, executive director and deputy chairman of the board of directors of Vantage and therefore may potentially be perceived as having a conflict of interest in certain circumstances involving our Company and Vantage, he is mindful of his fiduciary duties as Director to act in the best interest of our Company. In cases where there are conflicts of interest, the non-executive Director will abstain from voting on the relevant resolutions in board meetings of our Company in accordance with the requirements of the [•] and our Company’s Articles.

Mr. Li Chi Pong, our executive Director and an executive director of Vantage would resign from the board of directors of Vantage before [•]. Save as disclosed above, there is no other overlapping director and senior management between our Group and the Retained Vantage Group. Apart from Mr. Yau Kwok Fai being the only common director, the senior management and employees are employed by our Group separately from the Retained Vantage Group. Our directors and senior management team will act independently from the Retained Vantage Group.

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After [•], any Directors who have a material interest in a transaction will generally be required under the [•] and our Company’s Articles to abstain from voting in board meetings in relation to such transaction. These transactions may include potential connected transactions with the Retained Vantage Group. In these cases, the independent non-executive Directors will be asked to advise on the transaction. By having three independent non-executive Directors on the board, our Directors believe that they will be able to exercise their function as a board properly.

OPERATIONAL INDEPENDENCE

We make business decisions independently and hold all relevant licenses necessary to carry on our business and have sufficient capital, equipment and employees to operate our business independently. In addition, our Directors consider that our operation does not depend on the operation of the Controlling Shareholders because we have our own operational structure made up of separate departments, each with specific areas of responsibilities. We have also established a set of internal control procedures to facilitate the effective operation of our business.

Upon [•], there are expected continuing connected transactions between our Group and the Retained Vantage Group in relation to (a) TW7 Project; and (b) leasing of office premises. These transactions will be carried out (i) on market terms or (ii) on terms no more favorable to the Retained Vantage Group than those available to Independent Third Parties. For more details on such continuing connected transactions, please refer to the section headed “Connected Transactions” in this document.

FINANCIAL INDEPENDENCE

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and make financial decision according to our own business needs. During the Track Record Period, Vantage has provided guarantees in respect of certain credit facilities provided by financial institutions to us. During the year ended 31 March 2013 and the four months ended 31 July 2013, Vantage has given a performance guarantee for an unlimited amount in favour of a customer for a civil engineering contract work (the “**Contract Customer**”) of our Group in respect of losses, claims, damages, costs and expenses caused by non-compliance with the terms and conditions of the construction contract entered into between Vantage, our Group and the Contract Customer. The requirement of performance guarantees is a common practice in the construction industry to ensure that a contract is being executed in accordance with its contract terms. Except for the trade balance with Able Contractors which will only be settled upon the completion of TW7 Project, all other intercompany balances between our Group and the Retained Vantage Group are expected to be settled before [•]. All corporate guarantees including the performance guarantee mentioned above and pledges by Vantage for the benefit of our Group shall be released or replaced by guarantees by our Company and/or other security of our Group upon [•]. During the Track Record Period and as at the Latest Practicable Date, Mr. Ngai has not given any corporate guarantees for the benefit to our Group and we have not given any guarantee for the benefit of our Controlling Shareholders.

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RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

On the basis of the information provided in this section, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their associates.

CORPORATE GOVERNANCE

Our Company has adopted the following measures to manage the conflicts of interest between our Group and Vantage and to safeguard the interests of the Shareholders:

- (a) the independent non-executive Directors will review, on an annual basis, the Deed of Non-competition to ensure compliance with the non-compete undertakings by Vantage;
- (b) Vantage undertakes to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (c) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the Deed of Non-competition in the annual reports of our Company.

Our Company will observe any transaction that is proposed between our Group and its connected persons, and will be required to comply with [•] of the [•].

POTENTIAL COMPETITION FROM LANON DEVELOPMENT LIMITED

Lanon Development Limited (“**Lanon**”) is a company incorporated in Hong Kong and is primarily engaged in construction, maintenance and engineering contract works. Lanon has an issued share capital of HK\$16,000,002 and holds Group C licences on buildings, port works, roads and drainage, site formation and waterworks categories under the List of Approved Contractors.

Mr. Ngai’s wife and his son, Mr. Ngai Wing Yin, who is aged over 18, are directors of Lanon. Mr. Ngai Wing Yin is beneficially interested in 78% of the issued share capital of Lanon. To the best knowledge of our Directors, the remaining 22% of the issued share capital of Lanon is held by an Independent Third Party. None of our Controlling Shareholders, Directors and senior management members and their respective associates (excluding Mr. Ngai’s wife) is involved in the day-to-day management and operation of Lanon or is in any position to exercise control or influence over the operational decisions of Lanon. Although the Company has made relevant enquiries, it received feedback that Mr. Ngai’s wife and Mr. Ngai Wing Yin have confidentiality obligations not to disclose the financial information of Lanon to external parties so that the Company has gained no access to the financial information of Lanon. Further, the Company is not able to find any published financial information of Lanon from the public domain. Except for Mr. Ngai’s wife being a director of Lanon and Mr. Ngai Wing Yin being a shareholder and director of Lanon, Lanon has no business or other relationship with our Group or any of our Controlling Shareholders and Directors. To the best knowledge of the Directors, there is no overlapping management, sharing of assets and/or resources and no past or present

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

transactions between Lanon and the Group. In addition, the [•] is to seek a separate [•] for the existing civil engineering business of the Vantage Group without any proposed acquisition plan, and Lanon has never been part of the Vantage Group. As such, in relation to the [•], our Directors consider that the injection of the business of Lanon into our Group is not feasible and appropriate.

Based on the information available in the Government Gazette, Lanon has not been awarded with any contracts from WSD since 2000. From the website of Drainage Services Department of the Government (“DSD”), Lanon was also only once awarded a DSD project in 2008 in the nature of sewage works with contract sum of HK\$138 million and such project has been completed. Accordingly, Lanon is currently not involved in any public roads and drainage and waterworks projects which our Group focuses on and is eligible to tender. Therefore, based on the aforesaid information in the Government Gazette and website of DSD, Lanon is not one of the competitors set out in the paragraph headed “Ranking of waterworks civil engineering constructors in Hong Kong” in the section headed “Business” in this document. According to the searches conducted against relevant Government departments’ websites on Lanon, we have not found any records of Lanon being awarded any projects from the Government in the public sector for civil engineering works during the Track Record Period. Further, based on our enquiries with Mr. Ngai it is the understanding of our Directors that Lanon has not been awarded any contracts in the nature of civil engineering works in both the public and private sectors since Mr. Ngai Wing Yin became a beneficial owner of 78% shareholding interests in Lanon in January 2010, and the principal business of Lanon has not been civil engineering works since then.

Due to the independency of Lanon, the competition exerted by Lanon on our Group is no different from the competition that our Group may experience from other Independent Third Party competitors. Although Lanon can also undertake civil engineering works and can potentially be our competitor by submitting tender proposals for the same projects our Group is interested to undertake, there are only two out of five categories (namely roads and drainage and waterworks) under the List of Approved Contractors on which both Lanon and our Group currently also hold licences.

Our Group has implemented corporate governance procedures with respect to keeping information in confidence. There is a set of confidential information policy and guidelines imposed by our Company. All employees and all our Directors are informed of their duty and are required to protect our Group’s confidential information and not to disclose any confidential information to anyone outside our Group.

Furthermore, every Director and employee of our Group is subject to our Company’s employment regulations (the “**Employment Regulations**”). All employees are well informed of the Employment Regulations during induction training when they are first employed by our Company. The Employment Regulations set out, among others, general rules prohibiting employees to disclose or copy any information of our Group (for example, information of a particular tender) to outsiders, or those not in the employment of our Group, or someone being employed by our Group but not dealing with the subject matter directly. Our Group’s employees are also not allowed to use any information of our Group directly or indirectly during their employment or after resignation for purposes not related

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to the business of our Group, or use the information in such a way that will damage or reduce the profitability, competitiveness or smooth operation of our Group or in any way that will be detrimental to our Group as a whole. The Employment Regulations further restrict employees from divulging to any person or organization the information of our Group coming to his knowledge from and during the course of his employment.

As part of our internal corporate governance, all our Directors and employees will not disclose any confidential information or trade secrets to any third party, unless such disclosure is made to professional advisers on a confidential basis or is otherwise required by the Government or any regulatory authorities under any applicable laws and regulations. If any confidential information or trade secret is disclosed to a third party, it shall require that party to maintain a duty of confidentiality and not to use such confidential information or trade secret for any purpose other than the purpose for which we disclose such information to that party.

As an additional corporate governance measure in relation to Lanon, it is the policy of our Group not to disclose any information about tender price of projects and which tender to submit to Vantage or Mr. Ngai or any common directors of Vantage and our Company during any time prior to the submission of any tenders, unless such disclosure is for the purpose of Vantage’s compliance under the [•] or other applicable laws and regulations or being disclosed to the public. Currently, only Mr. Yau Kwok Fai is a common director of Vantage and our Company.

Vantage has also undertaken to our Group that if it is in possession of any confidential information or trade secrets or other information which is or may become related to, or may have impact on, the business of our Group, including but not limited to information about tender of projects, it will not disclose such confidential information or trade secrets to any third party, including but not limited to Lanon and the shareholders and directors of Lanon, unless such disclosure is made to professional advisers on a confidential basis or is otherwise required by the Government or any regulatory authorities under any applicable laws and regulations or pursuant to any court order. Before making any disclosure, Vantage shall inform and consult our Group as to the form and substance of such disclosure. Our Company’s independent non-executive Directors will monitor and review annually the compliance and enforcement of such undertaking by Vantage with its further undertaking that it shall provide full assistance for the annual review.

In addition, our Group is bound by the anti-collusion clause in the general conditions of tender of Government projects, which specifies that the tenderer shall not communicate to any person other than the Government the amount of the tender price or any part thereof until the tenderer is notified by the Government of the outcome of the tender exercise. Under such clause, the tenderer shall also not fix the amount of the tender price or any part thereof by arrangement with other person, make any arrangement with any person about whether or not he or that other person will or will not submit a tender or otherwise collude with any person in any manner whatsoever in the tendering process. Any breach of or non-compliance with the anti-collusion clause by the tenderer shall, without affecting the tenderer’s liability for such breach or non-compliance, invalidate his tender. Our Group needs to submit with its tender a duly signed and witnessed letter to the Government

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representing and warranting that it has not communicated and will not communicate to any person other than the Government the information mentioned in the above paragraph. In the relevant tenders, our Group also has to undertake to indemnify and keep indemnified the Government against all losses, damages, costs or expenses arising out of or in relation to any breach of or non-compliance with the anti-collusion clause.

In view of the above, our Directors are of the view that there are effective guidelines and measures in place to ensure that our Group and our Directors and employees will protect confidential information of our Group, including but not limited to information relating to bidding of projects, so that there will not be any unauthorized sharing of information between our Group and any parties outside our Group, including but not limited to Lanon.

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DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

The table below sets forth information regarding our Board of Directors.

Name	Age	Position	Appointment Date	Responsibility
Mr. Li Chi Pong (李治邦)	[57]	Executive Director	30 April 2012	Overall business development, management and operation of our Group
Mr. Poon Yan Min (潘潤棉)	[51]	Executive Director	[•] November 2013	Implementation of works and overall management of contracts
Mr. Yau Kwok Fai (游國輝)	[47]	Non-executive Director and non-executive chairman	[•] November 2013	Overall planning and formulation of strategic directions and provision of operation guidance of our Group
Dr. Law Kwok Sang (羅國生)	[69]	Independent non-executive Director	[•] November 2013	Responsible for giving strategic advice and guidance on the business and operations of our Group
Professor Wong Lung Tak Patrick <i>B.B.S., J.P.</i> (黃龍德)	[65]	Independent non-executive Director	[•] November 2013	Responsible for giving strategic advice and guidance on the business and operations of our Group
Ms. Mak Suk Hing (麥淑卿)	[60]	Independent non-executive Director	[•] November 2013	Responsible for giving strategic advice and guidance on the business and operations of our Group

The Board consists of 6 Directors, including 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors.

Save as disclosed in the section headed “Statutory and General Information” in Appendix IV to this document and below, each of our Directors has no interests in the Shares within the meaning of Part XV of the SFO and is independent from and is not related to any other Directors, senior management, Substantial Shareholders and Controlling Shareholders of our Company. Save as disclosed below in the biography of each of our Directors, each of our Directors has not held any directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas (apart from our Company) in the three years immediately preceding the date of this document, and has not been involved in any of the events described under [•] of the [•] requiring disclosure. Save as disclosed below, there are no other matters concerning each of our Directors’ directorship with our Company that need to be brought to the attention of the Shareholders and the [•] and there are no other matters in connection with each of our Directors’ appointment which shall be disclosed pursuant to [•] of the [•].

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Each of our Directors has confirmed that, other than disclosed in this document, he does not have any interest in a business apart from ours which competes or is likely to compete, directly or indirectly, with us which is discloseable under [•].

Executive Directors

Mr. Li Chi Pong (李治邦)

Mr. Li Chi Pong, aged [57], is an executive Director and the chief executive officer of our Company. Mr. Li has been a member of the board of directors of Vantage, EXCEL and GADELLY since 2004, 1988 and 1989 respectively and would resign from the board of directors of Vantage before [•]. Mr. Li was interested in [0.32]% in the issued share capital of Vantage which indirectly owns [100]% of the issued share capital of Able Contractors, our largest sub-contractor for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, as at the Latest Practicable Date. Mr. Li is responsible for the overall business development, management and operation of our Group. He graduated from the Hong Kong Polytechnic with a Higher Diploma in Civil Engineering in November 1979 and joined EXCEL in the same year. He has worked in the construction industry for over 30 years and gained extensive experience in the executive role in construction companies. He is the Authorised Signatory of EXCEL as Registered Specialist Contractors (foundation works) and (formation works) and Registered General Building Contractor of the Buildings Department. Mr. Li was a member of the Contractors Registration Committee Panel from January 2009 to December 2012. Mr. Li is also a Council Member of the Hong Kong Construction Association.

Mr. Poon Yan Min (潘潤棉)

Mr. Poon Yan Min, aged [51], is an executive Director, responsible for our Group’s on implementation of works and the overall management of contracts. Mr. Poon obtained a Bachelor of Science Degree in Engineering from the University of Hong Kong in November 1986 and a Master of Science Degree in Engineering Management from City University of Hong Kong in November 2002. He is a corporate member of the Hong Kong Institution of Engineers (“HKIE”) and a Registered Professional Engineer (Civil). He has over 25 years of experience in the construction of roads and drainage, site formation, waterworks and building works including over 10 years in EXCEL, and 9 years in Mass Transit Railway Corporation (“MTR Corporation”) as Construction Engineer from 1995 to 2004, responsible for supervision of various railway construction projects, including the Lantau and Airport project, Tseung Kwan O extension project and the Mei Foo Station Interchange for the West Rail Interface Works. He is the Authorised Signatory for EXCEL as Registered General Building Contractor of the Buildings Department. He is also a Engineering Supervisor for EXCEL in the HKIE Engineering Graduate Training (Scheme A) for graduate engineers.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Non-executive Director

Mr. Yau Kwok Fai (游國輝)

Mr. Yau Kwok Fai, aged [47], is a non-executive Director and non-executive chairman of our Company and is responsible for the overall planning and formulation of strategic directions and provision of operation guidance of our Group. Mr. Yau has been a member of the board of directors of Vantage since 2000 and is the deputy chairman and chief executive officer of Vantage. As at the Latest Practicable Date, he was also interested in [2.25]% in the issued share capital of Vantage which indirectly owns [100]% of the issued share capital of Able Contractors, our largest sub-contractor for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Mr. Yau has about 23 years of experience in the construction industry. Mr. Yau graduated with Bachelor Degree of Engineering in Civil Engineering (First Class Honours) from the Hong Kong Polytechnic in November 1990. He obtained a Diploma of the Imperial College in Structural Steel Design from the Imperial College London in July 1991 and a Master of Science Degree with Distinction in Structural Steel Design from the Imperial College of Science, Technology and Medicine, University of London in August 1991. He is a Chartered Engineer and a corporate member of the Institution of Civil Engineers, the Institution of Structural Engineers and the HKIE, a Registered Professional Engineer (Civil & Structural) and a Registered Structural Engineer. Mr. Yau and Mr. Ngai, an executive director and the Chairman of Vantage, are brothers-in-law.

Independent non-executive Directors

Dr. Law Kwok Sang (羅國生)

Dr. Law Kwok Sang, aged [69], is an independent non-executive Director. Dr. Law is currently the Adjunct Professor of the Department of Civil Engineering, University of Hong Kong and Zhengzhou University, PRC. Dr Law obtained a Bachelor Degree in Engineering in November 1967 and a Master Degree of Philosophy in October 1977 from the University of Hong Kong. He also obtained a Doctorate Degree in Education in December 2001 from the University of Durham, UK. He is a Fellow of the HKIE, the Institution of Structural Engineers, UK and the Institution of Civil Engineers, UK, an Authorised Person (Engineer), a Registered Structural Engineer and a Class 1 Registered Structural Engineer of PRC.

Dr. Law was the Chairman of the Authorised Person/Registered Structural Engineer/Registered Geotechnical Engineer Committee from 2007 to 2010.

Dr. Law has been a Member of the Disciplinary Board (Lifts and Escalators (Safety) Ordinance (Cap. 327)) and a Member of the Building Safety Loan Scheme Vetting Committee and the Appeal Board Panel (Amusement Rides (Safety)). He was also a Member of the Geotechnical Engineers Registration Committee Panel from 2004 to 2006 and a Member of the Planning Sub-committee of the Land and Development Advisory Committee from 2009 to 2012. He has also been a Member of the Authorised Persons Registration Committee Panel since 2012.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Dr. Law was presented the A.E. Wynn Prize in 1973 in recognition of his performance in the Chartered Membership Examination of the Institution of Structural Engineers, UK.

Professor Wong Lung Tak Patrick, B.B.S., J.P. (黃龍德)

Professor Wong Lung Tak Patrick, *B.B.S., J.P.*, aged [65], is an independent non-executive Director. He was awarded the Degree of Doctor of Philosophy in Business by the Honolulu University in July 2000. Professor Wong is an associate of the Institute of Chartered Accountants in England and Wales, a fellow of the Association of Certified Accountants in the United Kingdom, fellow of the Association of International Accountants, fellow of the Institute of Chartered Secretaries and Administrators in the United Kingdom, fellow of the Hong Kong Institute of Certified Public Accountants, fellow of the Taxation Institute of Hong Kong, fellow of Hong Kong Institute of Chartered Secretaries, fellow of Hong Kong Institute of Directors as well as a certified tax adviser. Professor Wong is the managing director of Patrick Wong C.P.A. Limited and has over 30 years of experience in the accountancy profession. Professor Wong was awarded a Badge of Honour by the Queen of England in 1993. He has been appointed as a Justice of the Peace in 1998 and was awarded a Bronze Bauhinia Star (B.B.S.) by the Government of the Hong Kong Special Administrative Region in 2010. Professor Wong has also been appointed Adjunct Professor of the School of Accounting and Finance of the Hong Kong Polytechnic University since 2002. He is currently an independent non-executive director of China Precious Metal Resources Holdings Co., Ltd., CC Land Holdings Limited, Galaxy Entertainment Group Limited, Water Oasis Group Limited, Real Nutraceutical Group Limited, Sino Oil and Gas Holdings Limited, Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited, National Arts Holdings Limited and Winox Holdings Limited, all are listed on the Stock Exchange.

Ms. Mak Suk Hing (麥淑卿)

Ms. Mak Suk Hing, aged [60], is an independent non-executive Director. Ms. Mak obtained a Bachelor Degree in Science in October 1975 and a Diploma of Education in December 1980, both from the Chinese University of Hong Kong. She was the principal of Tai Po Government Secondary School from 1997 to 2000 and the principal of South Tuen Mun Government Secondary School from 2000 to 2008. Ms. Mak is currently the Assessor for Needs Analysis for Aspiring Principals Programme in the Chinese University of Hong Kong. Ms. Mak is a member of New Territories East Region of the Scout Association of Hong Kong. She was also a committee member of the School Management Committee of the Clementi Secondary School from September 2011 to August 2013.

Senior Management

Mr. TANG Quoc Tri (曾國智)

Mr. Tang Quoc Tri, aged [44], joined our Group in September 2002. He is the Contracts Manager of our Group, responsible for the implementation of works and the overall management of contracts. Mr. Tang obtained a Bachelor Degree in Civil Engineering in July 1994 from the South Bank University, London, United Kingdom, Master of Science in Structural Engineering in November 2002, Master of Science in

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Construction Law and Dispute Resolution in October 2008 and Master of Business Administration in November 2010 all from the Hong Kong Polytechnics University. He is a Chartered Engineer of Engineering Council, United Kingdom and a corporate member of the Institution of Civil Engineers, the Institution of Structural Engineers and HKIE, and a Registered Professional Engineer (Civil & Structural). He has around 20 years of experience in the construction of road and drainage, site formation, landslip prevention, waterworks and building works. Before he joined our Group, Mr. Tang worked in Scott Wilson (Hong Kong) Ltd (“**Scott Wilson**”) as Assistant Engineer from September 1994 to April 1996, during which he has been engaged in both design and site supervision of geotechnical and building structural engineering works. He also worked as Assistant Resident Engineer for the Duplicate Tsing Yi South Bridge Project for the Territory Development Department from April 1996 to October 1997, and was responsible for site supervision of bridges and associated civil engineering construction works. He then worked as Assistant Resident Engineer with Scott Wilson for the Water Supply from China Beyond 1994 project, responsible for the final account preparation and contractual claim assessment for the project from November 1997 to January 1998. He later rendered his service to Montgomery Watson as Assistant Resident Engineer for the Strategic Sewage Disposal Scheme — Stage 1. Principal Collection and Treatment System project from January 1998 to August 1999 when he was responsible for site supervision of sewage treatment plant construction before he was employed by Mouchel Asia Limited as an Engineer from August 2001 to September 2002, where he was seconded to Architectural Services Department as Resident Engineer as well as worked on several school projects. He is the Authorised Signatory for EXCEL as a Registered General Building Contractor of the Buildings Department. He is also a Engineering Supervisor for EXCEL in the HKIE Engineering Graduate Training (Scheme A) for graduate engineers.

Mr. CHEUNG Lok Wan (張樂雲)

Mr. Cheung Lok Wan, aged [35], joined our Group in August 2001. He is the Engineering Manager of our Group, responsible for the engineering matters including estimating, tender, purchasing, budget and sub-contracts. Mr. Cheung obtained a Bachelor Degree in Civil Engineering in November 2001 from the University of Hong Kong. He is a corporate member of the HKIE and a Registered Professional Engineer (Civil). He has over 10 years of experience in the construction of road and drainage works, waterworks, building works and building maintenance works. He is also a Tutor for EXCEL in of the HKIE Engineering Graduate Training (Scheme A) for graduate engineers.

Mr. CHAN Kai Wing (陳繼榮)

Mr. Chan Kai Wing, aged [63], joined our Group in June 2010. He is the Project Manager of our Group, responsible for the implementation of works and the overall management of infrastructure network contracts. Mr. Chan obtained a Diploma in Management Studies in June 1987 awarded jointly by Hong Kong Polytechnic and Hong Kong Management Association. Before he joined our Group, Mr. Chan worked in HKT

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Group from September 1970 and left as Manager in the Field Services in March 2010, responsible for planning, design, building and providing maintenance of external telecommunication plant for HKT Group, where he has accumulated over 40 years of experience in the telecommunications industry.

Mr. TSE Lap Chi (謝立志)

Mr. Tse Lap Chi, aged [36], joined our Group in July 2000. He is the Project Manager of our Group, responsible for all activities on site to ensure the efficient running of a project and effective use of resources. Mr. Tse obtained a Bachelor Degree of Engineering in Civil and Structural Engineering in November 1999 from the Hong Kong University of Science and Technology. He is a corporate member of the HKIE and a Registered Professional Engineer (Civil). He has over 10 years of experience in the construction of road and drainage, utilities, site formation, waterworks and building works. He is also a Tutor for EXCEL in the HKIE Engineering Graduate Training (Scheme A) for graduate engineers.

Mr. LAI Kon Ting (黎幹廷)

Mr. Lai Kon Ting, aged [34], joined our Group in July 2001. He is the Project Manager of our Group, responsible for all activities on site to ensure the efficient running of a project and effective use of resources. Mr. Lai obtained a Bachelor Degree in Civil and Structural Engineering in November 2001 from the Hong Kong University of Science and Technology. He is a Chartered Engineer of Engineering Council, United Kingdom and a corporate member of the Institution of Civil Engineers and the HKIE as well as a Registered Professional Engineer (Civil). He has over 10 years of experience in the construction of road and utilities works, landslip prevention, waterworks and building works. He is also a Tutor for EXCEL in the HKIE Engineering Graduate Training (Scheme A) for graduate engineers.

Mr. WONG Kin Sang (黃健生)

Mr. Wong Kin Sang, aged [33], joined our Group in January 2003. He is the Project Manager of our Group, responsible for all activities on site to ensure the efficient running of a project and effective use of resources. Mr. Wong obtained a Bachelor Degree in Civil and Structural Engineering in November 2002 from the Hong Kong University of Science and Technology. He is a corporate member of the HKIE. He has over 10 years of experience in the construction of waterworks, road and utilities works, landslip prevention and building works. He is also a Tutor for EXCEL in the HKIE Engineering Graduate Training (Scheme A) for graduate engineers.

Mr. WONG Kin Yan (王建殷)

Mr. Wong Kin Yan, aged [44], joined our Group in December 1999. He is the Environmental and Quality Manager of our Group, responsible for the implementation and maintenance of our Company’s environmental and quality management systems. Mr. Wong obtained a Bachelor Degree in Applied Science in December 1994 from Hong Kong Baptist University. He is a Chartered Environmentalist and a corporate member of the Society of Environmental Engineers. Before he joined our Group, Mr. Wong worked as

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Environmental Consultant in Atkins China Ltd from October 1998 to August 1999, responsible for coordination of various projects and undertaking environmental impact assessments (EIA). He has over 15 years of experience in the environmental and quality management in the construction field. He is the Management Representative of EXCEL’s ISO 9001 Quality Management System and ISO14001 Environmental Management System.

Ms. CHEUNG Wa Yung (張華容)

Ms. Cheung Wa Yung, aged [52], joined our Group in August 2001 and has been a Director of GADELLY since July 2005 and the Accounting Manager of our Group. She obtained a Bachelor Degree in Commerce in June 1984 from University of Toronto, Canada. She is a member of both the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of Ontario in Canada. She has over 20 years of accounting experience.

Ms. TSE Sau Mui Axity (謝秀梅)

Ms. Tse Sau Mui Axity, aged [48], joined our Group in June 2004. She is the Administration Manager of our Group, responsible for the implementation of administrative system to ensure the smooth operation of our Company and performing the human resources functions. She obtained a Bachelor Degree in Business Administration in December 1988 from the Chinese University of Hong Kong. She has 20 years of administration and human resources management experience.

None of the senior management had any directorship in any public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

COMPANY SECRETARY

Mr. Liu Shiu Yuen (廖筱原), aged [33], joined our Group in September 2012. He was appointed as our Company Secretary on 3 July 2013. Mr. Liu is also our Financial Controller. Mr. Liu obtained a Bachelor Degree of Arts (Hons) in Accountancy in November 2002 from The Hong Kong Polytechnic University. He has over 10 years of accounting, auditing and related experience. Mr. Liu is a member of the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE [•] CODE

Our Company has adopted the [•] Code in accordance with [•] of the [•] and has complied with the applicable [•].

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BOARD COMMITTEES

Audit Committee

Our Company established an audit committee pursuant to a resolution of our Board of Directors passed on [•] November 2013 in compliance with [•]. Written terms of reference in compliance with [•] Code as set out in [•] of the [•] has been adopted. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment and removal of external auditor; monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgements contained in them; and oversee financial reporting system and internal control procedures of our Company. At present, the audit committee of our Company consists of 3 members who are Dr. Law Kwok Sang, Professor Wong Lung Tak Patrick *B.B.S., J.P.* and Ms. Mak Suk Hing. Professor Wong Lung Tak Patrick *B.B.S., J.P.* is the chairman of the audit committee.

Remuneration Committee

Our Company established a remuneration committee pursuant to a resolution of our Board of Directors passed on [•] November 2013 in compliance with [•]. Written terms of reference in compliance with [•] Code as set out in [•] of the [•] has been adopted. The primary duties of the remuneration committee are mainly to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review remuneration proposals of the management with reference to the Board’s corporate goals and objectives; and ensure none of our Directors or any of their associates determine their own remuneration. At present, the remuneration committee of our Company consists of 4 members who are Mr. Li Chi Pong, Dr. Law Kwok Sang, Professor Wong Lung Tak Patrick *B.B.S., J.P.* and Ms. Mak Suk Hing. Dr. Law Kwok Sang is the chairman of the remuneration committee.

Nomination Committee

Our Company established a nomination committee pursuant to a resolution of our Board of Directors passed on [•] November 2013. Written terms of reference in compliance with [•] Code as set out in [•] to the [•] has been adopted. The primary function of the nomination committee is to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the selection of, individuals nominated for directorships, appointment or re-appointment of Directors and succession planning for Directors. The nomination committee consists of 4 members, namely Mr. Yau Kwok Fai, Dr. Law Kwok Sang, Professor Wong Lung Tak Patrick *B.B.S., J.P.* and Ms. Mak Suk Hing. Mr. Yau Kwok Fai is the chairman of the nomination committee.

DIRECTORS’ REMUNERATION

Our Directors receive compensation in the form of fees, salaries, allowances and retirement benefit scheme entitlement. We also reimburse our Executive Directors for expenses which are reasonably incurred for discharging their duties in relation to our business. When reviewing and determining the specific remuneration packages for our

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Directors, our remuneration committee takes into consideration salaries paid by comparable companies, time commitment and responsibilities of our Directors and employment conditions elsewhere in our Group.

The aggregate amount of remuneration (including fees, salaries, allowances, retirement benefit scheme entitlement, discretionary bonuses, and other allowances and benefit in kind) paid to our Directors for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 were approximately HK\$3.6 million, HK\$5.1 million, HK\$5.7 million and HK\$2.8 million respectively.

The aggregate amount of employee’s emoluments (including salaries, allowances and retirement benefit scheme entitlement) paid to our five highest paid individuals of our Company for the three years ended 31 March 2013 and the four months ended 31 July 2013 were approximately HK\$6.0 million, HK\$8.1 million, HK\$9.1 million and HK\$3.7 million respectively.

EMPLOYEES

As of Latest Practicable Date, we had [331] employees, broken down by function as follows:

Function	Number of employees
Senior management	[8]
Administration, accounting and finance	[10]
Tender and estimating	[6]
Project management	[70]
Site staff	<u>[237]</u>
Total	<u><u>[331]</u></u>

During the Track Record Period, the total number of employees increased from 240 to 359.

RELATIONSHIP WITH EMPLOYEES

During the Track Record Period, we did not experience any disruption to our operations due to labour disputes nor did we experience any difficulty in the recruitment and retention of experienced staff. Our Directors believe that we have maintained a good working relationship with our employees.

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SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately following the completion of the [•] and the Capitalisation Issue (but without taking into account any Shares which may be issued upon the exercise of the [•]), the following persons (not being our Director or chief executive of our Company) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the [•] under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Nature of interest	Class of securities <i>(Note 1)</i>	Total number of Shares	Approximate percentage of issued Shares immediately after the [•] and the Capitalisation Issue <i>(Note 2)</i>
Vantage <i>(Note 3)</i>	Interest in a controlled corporation	Ordinary (L)	[•]	[•]
Profit Chain <i>(Note 3)</i>	Beneficial owner	Ordinary (L)	[•]	[•]
Winhale Ltd. <i>(Note 4)</i>	Interest in a controlled corporation	Ordinary (L)	[•]	[•]
Braveway Limited <i>(Note 5)</i>	Interest in a controlled corporation	Ordinary (L)	[•]	[•]
HSBC International Trustee Trustee Limited <i>(Note 5)</i>	Trustee	Ordinary (L)	[•]	[•]
Mr. Ngai <i>(Note 6)</i>	Interest in a controlled corporation	Ordinary (L)	[•]	[•]

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Notes:

- 1. The letter “L” denotes the person’s long position in such Shares.*
- 2. Assuming the [•] is not exercised.*
- 3. Profit Chain is wholly-owned by Vantage. As such, Vantage is deemed to be interested in the [•] Shares owned by Profit Chain by virtue of the SFO.*
- 4. Winhale Ltd. is ultimately beneficially owned by the Xyston Trust, a discretionary family trust settled by Mr. Ngai for the benefits of himself and his family members. Winhale Ltd. is deemed to be interested in [•] Shares held by Profit Chain under the SFO by virtue of its interest in [•] of the voting shares in Vantage. Profit Chain is wholly-owned by Vantage.*
- 5. Braveway Limited and HSBC International Trustee Limited are deemed to be interested in the shares of Vantage held by Winhale Ltd. by virtue of the fact that Winhale Ltd. is wholly owned by the trust of which Braveway Limited is the trustee. This trust is in turn 99.99% owned by Xyston Trust which HSBC International Trustee Limited is the trustee. Braveway Limited and HSBC International Trustee Limited are deemed to be interested in [•] Shares held by Profit Chain under the SFO by virtue of their interest in [•]% of the voting shares in Vantage. Profit Chain is wholly-owned by Vantage.*
- 6. Mr. Ngai, is interested in 1,080,011,200 shares of Vantage, which comprise 6,250,800 shares held by himself, the deemed interest in 838,760,400 shares held by Winhale Ltd. and 235,000,000 shares held by Fame Yield International Limited by virtue of his interest in the entire issued share capital of Fame Yield International Limited and he was the settlor and a beneficiary of the Xyston Trust. Mr. Ngai is deemed to be interested in [•] Shares held by Profit Chain under the SFO by virtue of his interest in approximately [•]% of the voting shares in Vantage. Profit Chain is wholly-owned by Vantage.*

Save as disclosed herein, our Directors are not aware of any persons who immediately following the completion of the [•], will have an interest or a short position in the Shares which would be required to be disclosed to our Company and [•], or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

For details of our Director’s interests in Shares immediately following the completion of the [•], please refer to the section headed “Further Information about Directors and Substantial Shareholders” in Appendix IV to this document.

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You should read this section in conjunction with our audited combined financial information, including notes thereto, as set forth in Appendix I — “Accountants’ Report.” The financial information has been prepared in accordance with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please see the section entitled “Risk Factors” in this document.

OVERVIEW

Our Group is principally engaged in construction business in Hong Kong as a main contractor. With an operating history of over 37 years, we have been providing civil engineering construction services to the public and private sectors in Hong Kong which is our core business. Our civil engineering construction works include (i) waterworks; (ii) roads and drainage works; (iii) landslip preventive and remedial works to slopes and retaining walls; and (iv) utilities civil engineering works, for the public and private sectors in Hong Kong. We have also been engaged in certain contract works for building construction and maintenance, but as part of the effort to ensure clear delineation of business activities between our Group and the Retained Vantage Group after the [•], our Group will continue to focus on civil engineering construction business which is our core business and shall cease to engage in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014.

FACTORS AFFECTING OUR GROUP’S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

We believe the most significant factors affecting our results of operations and financial conditions are as follows:

- **Spending from the public and private sectors on civil engineering works**

Our civil engineering construction business largely depends on the Government’s public spending as well as spending from the private sector to construct and maintain waterworks, roads and drainage works, landslip prevention works and other infrastructure in Hong Kong. Reduction in the expenditures on civil engineering works will reduce the demand for civil engineering construction works in Hong Kong which may also affect the prices for our services. With a reduction in demand and/or lowering in contract sums, our business, financial condition and results of operations, future growth in revenue, gross profit and cash flow may be adversely affected.

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- **Ability to control and manage our costs**

The main component of our contract costs is sub-contracting fees paid to our sub-contractors. During the Track Record Period, our sub-contracting fees amounted to approximately HK\$604 million, HK\$625 million, HK\$945 million and HK\$616 million respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Accordingly, our profitability depends significantly on our ability to control and manage our sub-contracting fees. We enter into sub-contractor agreements with our sub-contractors which specify the amount or the agreed calculation of sub-contracting fees after securing project contracts. However, our contracts were mainly secured by way of tender. When we submit our tender or our initial proposals to our potential customers, we need to estimate the corresponding contract costs (which mainly include sub-contracting fees). Normally we discuss with and get quotes from sub-contractors to have a better estimate on the required sub-contracting fees before making tender to our customers. However, the actual contract costs (including sub-contracting fees) will not be determined until after we have entered into agreements with our sub-contractors and may be different from our estimation due to shortage of labour and materials and other unforeseen reasons. In the event that the contract costs (including sub-contracting fees) increase unexpectedly during the time lag, our financial performance and profitability will be adversely affected.

- **Progress to complete projects according to specifications, quality and safety standards**

Our projects must be completed in accordance with customers’ specifications, quality standards, safety measures and the time frame. Failure to comply with any of these requirements may make us liable to pay penalties or damages, which may not only tarnish our reputation but also have an adverse effect on our profitability.

BASIS OF PRESENTATION

On [•] November 2013, our Company became the holding company of the subsidiaries now comprising our Group pursuant to the Reorganisation, details of which are set out in the sub-paragraph headed “Statutory and General Information — Further Information about our Company — Reorganisation” in Appendix IV to this Document. The Reorganisation involved business combinations of entities under common control before and immediately after the Reorganisation. Our Group resulting from the Reorganisation is regarded and accounted for as a continuing group. Accordingly, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period have been prepared on a combined basis by applying the principles of merger accounting and include the financial information of the companies now comprising our Group as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of our Group as at 31 March 2011, 2012 and 2013 and 31 July 2013 have been prepared on a combined basis by applying the principles of merger accounting to

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present the assets and liabilities of our Group as at the end of the reporting periods as if the current structure of our Group had been in existence at those dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

CRITICAL ACCOUNTING POLICIES

Our Group’s financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The preparation of our Group’s financial information in conformity with HKFRSs requires our Group’s management to adopt accounting policies and make estimates and assumptions that affect amounts reported in our Group’s financial information. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The following paragraphs discuss the critical accounting policies applied in preparing our Group’s financial information:

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to our Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction, renovation and other contracts, based on the percentage of completion basis, as further explained in the accounting policy for “Construction, renovation and other contracts” below;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (c) management fee income is recognised when the management fee services are rendered.

Construction, renovation and other contracts

Contract revenue comprises the agreed contract sum and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of sub-contracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contracts.

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Revenue and profit recognition on contract works is dependent on the estimation of the total outcome of the construction contract, as well as the work performed to date. Based on our Group’s past experience and the nature of the contract activities undertaken by our Group, our Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. As a result, until this point is reached, the amount due from customers for contract works will not include profit which our Group may eventually realise from the work performed to date. In addition, actual outcomes in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of each of the Track Record Period, which would affect the revenue and profit recognised in future years.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract works. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract works.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of Hong Kong Accounting Standard 39 (“**HKAS 39**”) are classified as loans and receivables. Our Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that our Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Our Group’s financial assets include accounts and other receivables, deposits, amounts due from a joint venture and the Retained Vantage Group, a pledged deposit and cash and cash equivalents.

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Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

Impairment of financial assets

Our Group assesses at the end of each of the Track Record Period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. Our Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Our Group’s financial liabilities include accounts and other payables, an amount due to Vantage and interest-bearing bank loans.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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- in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Track Record Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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SUMMARY OF OPERATING RESULTS

The table below sets out a summary of our combined statements of comprehensive income during the Track Record Period, which was derived from the Accountants’ Report as set out in Appendix I to this document:

	Year ended 31 March			Four months ended 31 July	
	2011	2012	2013	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	673,168	690,043	984,296	326,719	653,993
Contract costs	<u>(627,650)</u>	<u>(641,086)</u>	<u>(928,785)</u>	<u>(313,999)</u>	<u>(629,611)</u>
Gross profit	45,518	48,957	55,511	12,720	24,382
Other income and gains	2,606	3,607	16,973	5,484	3,283
Administrative expenses	(18,264)	(18,839)	(22,678)	(6,202)	(11,248)
Finance costs	<u>—</u>	<u>(33)</u>	<u>(1,865)</u>	<u>(337)</u>	<u>(196)</u>
Profit before tax	29,860	33,692	47,941	11,665	16,221
Income tax expense	<u>(4,898)</u>	<u>(5,522)</u>	<u>(7,875)</u>	<u>(1,904)</u>	<u>(3,518)</u>
Profit and total comprehensive income for the year/period	<u>24,962</u>	<u>28,170</u>	<u>40,066</u>	<u>9,761</u>	<u>12,703</u>
Profit and total comprehensive income attributable to owners of the parent	<u>24,962</u>	<u>28,170</u>	<u>40,066</u>	<u>9,761</u>	<u>12,703</u>

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REVIEW OF OUR GROUP’S OPERATING RESULTS

Contributions from civil engineering works and building construction and maintenance

We are principally engaged in civil engineering construction business. However, due to the overall strategies and considerations of the Vantage Group, in particular, on diversification of risks and establishing track records on different nature of construction projects among member companies of the Vantage Group, we have also been engaged in certain contract works for building construction and maintenance.

As a result, during the Track Record Period, we derived our revenues from contract works for both civil engineering and building construction and maintenance.

The tables below set out a breakdown of our revenue, contract costs and gross profit from each category described above during the Track Record Period:

	Year ended 31 March					
	2011					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	302,166	44.9%	371,002	55.1%	673,168	100%
Contract costs	<u>(256,653)</u>	<u>40.9%</u>	<u>(370,997)</u>	<u>59.1%</u>	<u>(627,650)</u>	<u>100%</u>
Gross profit	<u>45,513</u>	<u>100%</u>	<u>5</u>	<u>—</u>	<u>45,518</u>	<u>100%</u>
Gross profit margin		15.1%		—		6.8%

	Year ended 31 March					
	2012					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	476,902	69.1%	213,141	30.9%	690,043	100%
Contract costs	<u>(430,484)</u>	<u>67.1%</u>	<u>(210,602)</u>	<u>32.9%</u>	<u>(641,086)</u>	<u>100%</u>
Gross profit	<u>46,418</u>	<u>94.8%</u>	<u>2,539</u>	<u>5.2%</u>	<u>48,957</u>	<u>100%</u>
Gross profit margin		9.7%		1.2%		7.1%

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	Year ended 31 March 2013					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	459,389	46.7%	524,907	53.3%	984,296	100%
Contract costs	<u>(409,045)</u>	<u>44.0%</u>	<u>(519,740)</u>	<u>56.0%</u>	<u>(928,785)</u>	<u>100%</u>
Gross profit	<u>50,344</u>	<u>90.7%</u>	<u>5,167</u>	<u>9.3%</u>	<u>55,511</u>	<u>100%</u>
Gross profit margin		11.0%		1.0%		5.6%

	Four months ended 31 July 2013					
	Civil engineering works		Building construction and maintenance works		Total	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Revenue from contract works	218,873	33.5%	435,120	66.5%	653,993	100%
Contract costs	<u>(199,062)</u>	<u>31.6%</u>	<u>(430,549)</u>	<u>68.4%</u>	<u>(629,611)</u>	<u>100%</u>
Gross profit	<u>19,811</u>	<u>81.2%</u>	<u>4,571</u>	<u>18.8%</u>	<u>24,382</u>	<u>100%</u>
Gross profit margin		9.1%		1.1%		3.7%

During the Track Record Period, all of our contracts undertaken for both civil engineering construction business and building construction and maintenance business were for customers which are Independent Third Parties including certain departments of the Government, public utilities companies, and private organisations in Hong Kong, and we acted as the main contractor for all such contracts.

For our civil engineering construction business, we completed [9] projects during the Track Record Period, and had [13] significant projects in progress as at the Latest Practicable Date. During the Track Record Period, for the sub-contracting arrangement we entered into for the execution of our civil engineering construction projects, all the relevant sub-contractors were Independent Third Parties, except for the TKO Project which we sub-

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contracted to the Retained Vantage Group. For the TKO Project, we recorded revenue of approximately HK\$8,056,000, HK\$1,177,000, nil and nil, and gross profit of approximately HK\$242,000, HK\$35,000, nil and nil respectively for each of the three years ended 31 March 2013 and the four months ended 31 July 2013.

For our building construction and maintenance business, during the Track Record Period, we were engaged in only two building construction projects, both of which were related to private residential property developments by independent property developers, namely MOS Project which was completed in March 2011 and TW7 Project which started in August 2011 and is expected to be completed by mid-2014. We sub-contracted both MOS Project and TW7 Project to the Retained Vantage Group, further information for which are set out in the sections headed “Relationship with Controlling Shareholders” and “Connected Transactions” in this document. In addition, we were also engaged in certain building maintenance works of relatively small contract sums during the Track Record Period, for which we recorded revenue of approximately HK\$338,000, HK\$186,000, HK\$1,010,000 and HK\$2,150,000 for each of the three years ended 31 March 2013 and the four months ended 31 July 2013.

Upon the [•], our Group shall not take up any new building construction projects and maintenance works and shall not engage in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014.

Our revenue

We derive our revenues during the Track Record Period from contract works for civil engineering and building construction and maintenance.

Our overall turnover derived from our business has increased from approximately HK\$673.2 million for the year ended 31 March 2011 to approximately HK\$690.0 million for the year ended 31 March 2012 and further increased to approximately HK\$984.3 million for the year ended 31 March 2013, representing an overall CAGR of approximately 20.9% from 2011 to 2013. Our overall turnover has also increased from approximately HK\$326.7 million for the four months ended 31 July 2012 to approximately HK\$654.0 million for the four months ended 31 July 2013.

Our revenue from civil engineering works has shown an increase from approximately HK\$302.2 million for the year ended 31 March 2011 to approximately HK\$476.9 million for the year ended 31 March 2012, and experienced a slight drop to approximately HK\$459.4 million for the year ended 31 March 2013 which represented approximately 44.9%, 69.1% and 46.7% of the total revenue for each of the years ended 31 March 2013, 2012 and 2011 respectively. Our revenue from civil engineering works has shown an increase from approximately HK\$144.5 million for the four months ended 31 July 2012 to approximately HK\$218.9 million for the four months ended 31 July 2013 which represented approximately 33.5% of the total revenue for the four months ended 31 July 2013. That was because during the Track Record Period we have gained award of a number of civil engineering projects, including the replacement and rehabilitation project for WSD in West Kowloon, Kwai Tsing and Tsuen Wan, with commencement of works in April 2011, which have contributed to the increase in revenue from civil engineering works generally. Despite

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the steady increase in project pipeline for our civil engineering works during the Track Record Period, there was a slight drop in revenue for such business of us for the year ended 31 March 2013 as compared to that for the previous year. This was mainly due to the timing factor in recognition of revenue for the projects then on hand, as well as the allocation of some of our Group’s resources to execute TW7 Project, which could otherwise be used for other potential civil engineering works opportunities.

Our revenue from building construction and maintenance works decreased from approximately HK\$371.0 million for the year ended 31 March 2011 to approximately HK\$213.1 million for the year ended 31 March 2012, representing approximately 55.1% and 30.9% of total revenue respectively, because MOS Project was completed in March 2011 and accordingly a relatively small portion of revenue from such project was reflected during the year ended 31 March 2012. However, the revenue increased to approximately HK\$524.9 million for the year ended 31 March 2013, representing approximately 53.3% of the total revenue, since another building construction contract works, TW7 Project, commenced in August 2011 and was in full swing during the year ended 31 March 2013, a large portion of revenue from such project was reflected during the year ended 31 March 2013. Our revenue from building construction and maintenance works increased from approximately HK\$182.3 million for the four months ended 31 July 2012 to approximately HK\$435.1 million for the four months ended 31 July 2013 because large portion of revenue from TW7 Project was reflected during the four months ended 31 July 2013.

Our contract costs

While sub-contracting fees constituted the majority of our contract costs for each of the three years ended 31 March 2013 and the four months ended 31 July 2013, our contract costs also included costs for direct materials, direct labour and certain variable and fixed construction overheads. During the Track Record Period, breakdown of our contract costs were as follows:

	Year ended 31 March			Four months ended	
				31 July	
	2011	2012	2013	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Sub-contracting fees	603,673	624,986	944,769	293,115	615,933
Less: Net movement of gross amount due from customers and accruals of costs for contract works	(17,658)	(31,893)	(64,888)	667	(2,566)
Others	41,635	47,993	48,904	20,217	16,244
	<u>627,650</u>	<u>641,086</u>	<u>928,785</u>	<u>313,999</u>	<u>629,611</u>

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The cost of sub-contracting fees has increased from approximately HK\$603.7 million for the year ended 31 March 2011 to approximately HK\$625.0 million for the year ended 31 March 2012 and further increased to approximately HK\$944.8 million for the year ended 31 March 2013, representing an overall CAGR of approximately 25.1% from 2011 to 2013. The contract costs increased from approximately HK\$314.0 million for the four months ended 31 July 2012 to approximately HK\$629.6 million for the four months ended 31 July 2013. Such increase in sub-contracting fees was generally in line with the growth of our business.

The cost of sub-contracting fees represent charges and fees paid to our sub-contractors and services providers which provide labour, materials and services necessary for the completion of the projects undertaken by us. In the event that the materials are purchased for the use of the sub-contractors, material costs will be deducted from the cost of sub-contracting fees accordingly.

Our gross profit

Gross profit increased by approximately 7.6% from approximately HK\$45.5 million for the year ended 31 March 2011 to approximately HK\$49.0 million for the year ended 31 March 2012 and further increased by approximately 13.4% to approximately HK\$55.5 million for the year ended 31 March 2013. Our gross profit increased by approximately 91.7% from approximately HK\$12.7 million during the four months ended 31 July 2012 to approximately HK\$24.4 million during the four months ended 31 July 2013. The increase in gross profit was in line with the growth in revenue during the Track Record Period. Gross profit generated from civil engineering works increased by approximately 8.5% for the year ended 31 March 2013 as compared to that of the previous year despite a slight drop in revenue from such line of business, due mainly to execution of civil engineering construction projects of slightly higher gross profit margin during the year. Gross profit generated from civil engineering works increased by approximately 81.4% for the four months ended 31 July 2013 as compared to that of the four months ended 31 July 2012 due to increase in revenue from a civil engineering construction project of a higher gross profit margin during the four months ended 31 July 2013.

The gross profit margin for civil engineering works for our Group was generally higher than that for building construction and maintenance works. Depending on the revenue mix of the relevant financial year, our overall gross profit margin percentage may vary accordingly.

The higher gross profit margin for civil engineering works in the two years ended 31 March 2011 and 31 March 2012 was mainly attributable to a WSD project, namely 5/WSD/07. The project was located at Mid-levels where the access for the construction works was relatively difficult. Our Group has implemented an effective method of construction to overcome the difficult access problem and hence achieved certain savings in the relevant project costs and generated a relatively higher profit margin. The amount of revenue recognised during the Track Record Period attributable to this project was approximately HK\$124 million. The gross profit margin for civil engineering works has experienced a slight decrease from approximately 11.0% during the year ended 31 March 2013 to approximately 9.1% during the four months ended 31 July 2013, mainly because we managed to employ a less costly method in carrying out certain works for a project under R&R Programme to achieve certain savings in construction works costs, which resulted in the recognition of additional gross profit for this project in the year ended 31 March 2013 that might otherwise have been recognised in previous financial years. Excluding the slight distortion from this factor, the gross profit margin for civil engineering works for the year ended 31 March 2013 and that for the four months ended 31 July 2013 would have been quite steady.

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The gross profit margin for building and maintenance works was mainly contributed by our building construction works for MOS Project which completed in March 2011 and TW7 Project which commenced in August 2011 and is currently in progress. Due to certain historical strategic reasons, our Group agreed to take 0% and 1% of the total contract sums of MOS Project and TW7 Project respectively as our profit share for the projects and sub-contracted both projects to the Retained Vantage Group, further information for which are set out in the sections headed “Relationship with Controlling Shareholders” and “Connected Transactions” in this document.

Our other income and gains

Other income and gains represent mainly interest income, management fee income and gain on changes in fair values of investment properties. During the Track Record Period, breakdown of our other income and gains are as follows:

	Year ended 31 March			Four months ended 31 July	
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income					
— reimbursement from the Retained Vantage Group for TW7 Project	—	33	1,848	337	168
— from the Retained Vantage Group for other purposes	—	76	71	—	—
— from banks	96	176	137	47	47
	<u>96</u>	<u>176</u>	<u>137</u>	<u>47</u>	<u>47</u>
	96	285	2,056	384	215
Management fee income from the Retained Vantage Group					
— for staff cost reimbursement for TW7 Project	—	1,320	9,880	3,678	2,458
— for charging back management fee paid to Vantage attributable to MOS Project and TW7 Project	—	1,535	4,146	1,382	—
	<u>—</u>	<u>1,535</u>	<u>4,146</u>	<u>1,382</u>	<u>—</u>
	—	2,855	14,026	5,060	2,458
Management fee income from a joint venture, Excel-China Harbour JV	2,220	250	660	—	—
Gain on changes in fair value of investment properties	140	60	40	—	—
Sundry income	150	157	191	40	610
	<u>150</u>	<u>157</u>	<u>191</u>	<u>40</u>	<u>610</u>
	<u>2,606</u>	<u>3,607</u>	<u>16,973</u>	<u>5,484</u>	<u>3,283</u>

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We received interest reimbursement of approximately HK\$33,000, HK\$1,848,000 and HK\$168,000 for the years ended 31 March 2012 and 2013 and the four months ended 31 July 2013, respectively, from the Retained Vantage Group, at the same amounts as charged by the banks on us for the loans used to finance purchases of materials for the use of the Retained Vantage Group as the sub-contractor of TW7 Project. Since June 2013, we have ceased financing the Retained Vantage Group for material purchases for TW7 Project and we will no longer receive such interest reimbursement from the Retained Vantage Group after the [•].

We received staff cost reimbursement of approximately HK\$1,320,000 for the year ended 31 March 2012, HK\$9,880,000 for the year ended 31 March 2013 and HK\$2,458,000 for the four months ended 31 July 2013 from the Retained Vantage Group, on cost basis for the staff of our Group we provided to the Retained Vantage Group for execution of TW7 Project. As TW7 Project is still in progress and is expected to be completed by mid-2014, after [•], we will continue to provide our staff to and hence receive staff cost reimbursement from the Retained Vantage Group until completion of the project, and this staff cost reimbursement arrangement will constitute continuing connected transaction for us upon [•]. Further information relating to this staff cost reimbursement is set out in the section headed “Connected Transactions” in this document.

During the three years ended 31 March 2013, as disclosed in relation to the paragraph “Our administrative expenses” in this section, we paid management fee to Vantage for sharing of the Vantage Group’s corporate expenses which were allocated among operating subsidiaries of Vantage based on the respective entities’ revenue amounts for each financial year. In this connection, as MOS Project and TW7 Project were sub-contracted to the Retained Vantage Group, to recover such portions of management fee paid by us in relation to certain amounts of revenue attributable to MOS Project and TW7 Project, we charged back approximately HK\$1,535,000 for the year ended 31 March 2012 and HK\$4,146,000 for the year ended 31 March 2013 as management fee income from the Retained Vantage Group. Since April 2013, we have ceased paying management fee to Vantage for sharing corporate expenses of the Vantage Group and as a result there is no need for us to charge back any corresponding amount from the Retained Vantage Group after March 2013.

We received management fee income of approximately HK\$2,220,000 for the year ended 31 March 2011, HK\$250,000 for the year ended 31 March 2012, HK\$660,000 for the year ended 31 March 2013 and nil for the four months ended 31 July 2013 for the provision of staff from our Group to Excel-China Harbour JV for project management.

Our administrative expenses

Administrative expenses mainly include salaries and wages, depreciation of property, plant and equipment, management fee to Vantage and other miscellaneous administrative expenses. During the Track Record Period, the administrative expenses amounted to approximately HK\$18.3 million, HK\$18.8 million, HK\$22.7 million and HK\$11.2 million for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively.

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The following table sets forth the breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 March			Four months ended 31 July	
	2011	2012	2013	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs	9,563	10,168	12,094	3,084	5,423
Depreciation	1,095	871	596	220	161
Management fee to Vantage	6,181	6,286	7,790	2,596	—
Auditors' remuneration	220	250	268	—	—
Legal and professional fee	111	74	132	—	34
Bank charges	39	174	81	19	12
[•] expenses	—	—	—	—	[•]
Others	1,055	1,016	1,717	283	478
	<u>18,264</u>	<u>18,839</u>	<u>22,678</u>	<u>6,202</u>	<u>[•]</u>

Staff costs, which primarily include director's remuneration, salaries and bonus and pension scheme contributions, amounted to approximately HK\$9.6 million, HK\$10.2 million, HK\$12.1 million and HK\$5.4 million for the years ended 31 March 2011, 2012 and 2013 and the four months ended 31 July 2013, respectively.

The management fee to Vantage during the three years ended 31 March 2013 was mainly for sharing the portion of corporate expenses of the Vantage Group attributable to our Group, which mainly represented the salaries and bonus of Vantage's executive directors in relation to their overall management of the Vantage Group, and were allocated among operating subsidiaries of Vantage based on the respective entities' revenue amounts for each financial year. The management fee paid to Vantage amounted to approximately HK\$6.2 million, HK\$6.3 million and HK\$7.8 million for the years ended 31 March 2011, 2012 and 2013 respectively, which was in line with the increase in revenue during the three years ended 31 March 2013. Based on respective revenue amounts ratio, for our Group's management fee paid to Vantage for each of the three years ended 31 March 2013 respectively, the amounts attributable to our Group's civil engineering business would be approximately HK\$2,774,000, HK\$4,344,000 and HK\$3,636,000 respectively, and the amounts attributable to our Group's building construction and maintenance business would be approximately HK\$3,407,000, HK\$1,942,000 and HK\$4,154,000 respectively. Since April 2013, we have ceased paying management fee to Vantage for sharing corporate expenses of the Vantage Group.

Our finance costs

Finance costs represent interest on bank loans and bank overdrafts wholly repayable within five years.

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Part of our bank loans borrowed during the two years ended 31 March 2013 and the four months ended 31 July 2013 were used to finance purchase of materials for the use of the Retained Vantage Group as the sub-contractor in relation to the execution of TW7 Project. In this connection, the corresponding amounts of finance costs paid by us amounted to approximately HK\$33,000 for the year ended 31 March 2012, HK\$1,848,000 for the year ended 31 March 2013 and HK\$168,000 for the four months ended 31 July 2013, respectively, which were fully reimbursed by the Retained Vantage Group and recorded by us as part of the interest income from the Retained Vantage Group, as disclosed in relation to our other income and gains in this section. Since June 2013, we have ceased financing the material purchases for the use of the Retained Vantage Group for TW7 Project.

Our income tax expense

During the Track Record Period, our Group’s income tax expense amounted to approximately HK\$4.9 million, HK\$5.5 million, HK\$7.9 million and HK\$3.5 million respectively. Income tax expense represents the tax expense arising from the assessable profit generated by our Group in Hong Kong. The Hong Kong profit tax rate was 16.5% for each of the three years ended 31 March 2013 and the four months ended 31 July 2013. Our Group had no other tax payable in other jurisdictions during the Track Record Period.

The increase in the income tax expense of our Group during the Track Record Period was primarily due to the increase in profit before tax from approximately HK\$29.9 million for the financial year ended 31 March 2011, to approximately HK\$33.7 million for the financial year ended 31 March 2012 and further increased to approximately HK\$47.9 million for the financial year ended 31 March 2013. The profit before tax increased from approximately HK\$11.7 million in the four months ended 31 July 2012 to approximately HK\$16.2 million in the four months ended 31 July 2013.

Our Group’s effective tax rates remained stable at approximately 16.4% for the three years ended 31 March 2013 but increased to approximately 21.7% for the four months ended 31 July 2013, because we recognised approximately HK\$[•] million of [•] expenses during such period, which were of capital nature and hence not tax deductible.

Further details are set out in note 12 to the Accountants’ Report in Appendix I to this document.

PERIOD TO PERIOD COMPARISON OF OPERATING RESULTS

Four months ended 31 July 2013 compared with four months ended 31 July 2012

Revenue

Our revenue increased by approximately HK\$327.3 million, or 100.2%, from approximately HK\$326.7 million for the four months ended 31 July 2012 to approximately HK\$654.0 million for the four months ended 31 July 2013 due to the increase in revenue from the building construction contract works for TW7 Project and to a lesser extent from other civil engineering contract works. TW7 Project contributed an

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aggregated revenue of approximately HK\$433.0 million for this period, while it only contributed an aggregated revenue of approximately HK\$173.7 million for the corresponding period in prior year during which TW7 Project was at its relatively early stage.

Contract costs

Our contract costs increased by approximately HK\$315.6 million, or 100.5%, from approximately HK\$314.0 million for the four months ended 31 July 2012 to approximately HK\$629.6 million for the four months ended 31 July 2013. Such increase was in line with our revenue growth during the four months ended 31 July 2013, which resulted in more works being sub-contracted to sub-contractors.

Gross profit and gross profit margin

As a result of revenue growth, our gross profit increased by approximately HK\$11.7 million or 91.7%, from approximately HK\$12.7 million for the four months ended 31 July 2012 to approximately HK\$24.4 million for the four months ended 31 July 2013, while our gross profit margin remained relatively stable with slight decrease from approximately 3.9% to approximately 3.7%.

Other income and gains

Other income and gains decreased by approximately HK\$2.2 million from approximately HK\$5.5 million for the four months ended 31 July 2012 to approximately HK\$3.3 million for the four months ended 31 July 2013. The decrease was mainly due to the cessation of paying management fee to Vantage for sharing corporate expense of the Vantage Group since April 2013 and as a result there was no charge back of the corresponding amount from the Retained Vantage Group as part of our other income and gains. Further information relating to the management fee received from the Retained Vantage Group is set out in the paragraph “Our other income and gains” in this section.

Administrative expenses

Administrative expenses increased by approximately HK\$5.0 million or 81.4%, from approximately HK\$6.2 million for the four months ended 31 July 2012 to approximately HK\$11.2 million for the four months ended 31 July 2013. The increase was attributable to the net effect of (i) the increase in staff costs from approximately HK\$3.1 million for the four months ended 31 July 2012 to approximately HK\$5.4 million for the four months ended 31 July 2013 due to the increase in the number of our employees; (ii) [•] expenses of approximately HK\$[•] million being recognised in the four months ended 31 July 2013; and (iii) the cessation of paying management fee to Vantage for sharing corporate expense of the Vantage Group since April 2013.

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Finance costs

Finance costs decreased by approximately HK\$0.1 million from approximately HK\$0.3 million for the four months ended 31 July 2012 to approximately HK\$0.2 million for the four months ended 31 July 2013. The decrease was due to the cessation of financing the material purchases for the use of the Retained Vantage Group for TW7 Project since June 2013.

Income tax expense

Income tax expense increased by approximately HK\$1.6 million from approximately HK\$1.9 million for the four months ended 31 July 2012 to approximately HK\$3.5 million for the four months ended 31 July 2013. The increase was mainly attributable to the increase in profit before tax from approximately HK\$11.7 million for the four months ended 31 July 2012 to approximately HK\$16.2 million for the four months ended 31 July 2013.

The effective tax rate increased from approximately 16.4% in the four months 31 July 2012 to approximately 21.7% in the four months ended 31 July 2013 due to the capital nature of the [•] expenses recognised during the four months ended 31 July 2013, which made such expenses not tax deductible.

Profit attributable to owners of the parent

As a result of the above factors, profit for the year attributable to owners of the parent increased by approximately HK\$2.9 million, or 30.1% from approximately HK\$9.8 million for the four months ended 31 July 2012 to approximately HK\$12.7 million for the four months ended 31 July 2013. Our net profit margin decreased from approximately 3.0% for the four months ended 31 July 2012 to approximately 1.9% for the four months ended 31 July 2013, which was mainly due to the [•] expenses of approximately HK\$[•] million charged to our expenses in the period.

Financial year ended 31 March 2013 compared with the financial year ended 31 March 2012

Revenue

Our revenue increased by approximately HK\$294.3 million, or 42.6%, from approximately HK\$690.0 million for the year ended 31 March 2012 to approximately HK\$984.3 million for the year ended 31 March 2013. The increase was mainly attributable to the building construction contract works for TW7 Project which commenced during the second half of the year ended 31 March 2012 and was in full swing during the year ended 31 March 2013.

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FINANCIAL INFORMATION

Contract costs

Our contract costs increased by approximately HK\$287.7 million, or 44.9%, from approximately HK\$641.1 million for the year ended 31 March 2012 to approximately HK\$928.8 million for the year ended 31 March 2013. Such increase was in line with our revenue growth during the year ended 31 March 2013, which resulted in more works being sub-contracted to sub-contractors.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately HK\$6.5 million or 13.4%, from approximately HK\$49.0 million for the year ended 31 March 2012 to approximately HK\$55.5 million for the year ended 31 March 2013, while our gross profit margin decreased from approximately 7.1% to approximately 5.6%, which was primarily due to the fact that the gross profit margins derived from certain building construction contract works, that had significant revenue contribution during the year ended 31 March 2013, were relatively lower than that of our Group’s other civil engineering construction works during the same period.

Other income and gains

Other income and gains increased by approximately HK\$13.4 million from approximately HK\$3.6 million for the year ended 31 March 2012 to approximately HK\$17.0 million for the year ended 31 March 2013. The increase was mainly due to TW7 Project which commenced in August 2011 and was in full swing during the year ended 31 March 2013. As a result of TW7 Project, our Group recorded an increase in management fee income received from the Retained Vantage Group from approximately HK\$2.9 million for the year ended 31 March 2012 to approximately HK\$14.0 million for the year ended 31 March 2013 for reimbursement of staff cost of our Group’s certain staff working for the Retained Vantage Group and for charging back certain corporate expenses, as further disclosed in relation to the paragraph “Our other income and gains” in this section.

Administrative expenses

Administrative expenses increased by approximately HK\$3.9 million or 20.4%, from approximately HK\$18.8 million for the year ended 31 March 2012 to approximately HK\$22.7 million for the year ended 31 March 2013. This increase was primarily due to the increase in staff costs.

Our staff costs increased to approximately HK\$12.1 million for the year ended 31 March 2013 compared to approximately HK\$10.2 million for the year ended 31 March 2012, mainly due to the increase in the number of our employees.

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FINANCIAL INFORMATION

Finance costs

Finance costs increased by approximately HK\$1.9 million from approximately HK\$33,000 for the year ended 31 March 2012 to approximately HK\$1.9 million for the year ended 31 March 2013. The increase was mainly attributable to the increase in interest-bearing bank loans during the year ended 31 March 2013.

Income tax expense

Income tax expense increased by approximately HK\$2.4 million from approximately HK\$5.5 million for the year ended 31 March 2012 to approximately HK\$7.9 million for the year ended 31 March 2013. The increase was mainly attributable to the increase in profit before tax from approximately HK\$33.7 million for the year ended 31 March 2012 to approximately HK\$47.9 million for the year ended 31 March 2013.

The effective tax rate remained steady at approximately 16.4% for the years ended 31 March 2012 and 2013.

Profit attributable to owners of the parent

As a result of the above factors, profit for the year attributable to owners of the parent increased by approximately HK\$11.9 million, or 42.2%, from approximately HK\$28.2 million for the year ended 31 March 2012 to approximately HK\$40.1 million for the year ended 31 March 2013. Our net profit margin remained stable at approximately 4.1% for the two years ended 31 March 2013.

Financial year ended 31 March 2012 compared with the financial year ended 31 March 2011

Revenue

Our revenue increased mildly by approximately HK\$16.8 million, or 2.5%, from approximately HK\$673.2 million for the year ended 31 March 2011 to approximately HK\$690.0 million for the year ended 31 March 2012.

Revenue derived from civil engineering works was approximately HK\$476.9 million for the year ended 31 March 2012, representing an approximate growth of HK\$174.7 million from approximately HK\$302.2 million for the year ended 31 March 2011. The increase was primarily contributed by the revenue contribution from the commencement of the replacement and rehabilitation project for the WSD in West Kowloon, Kwai Tsing and Tsuen Wan during the year ended 31 March 2012.

Our revenue from building construction and maintenance works decreased from approximately HK\$371.0 million for the year ended 31 March 2011 to approximately HK\$213.1 million for the year ended 31 March 2012. Such decrease in revenue was mainly attributable to the completion of a building construction project in March 2011, which offset the increase in revenue from civil engineering works in 2012.

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FINANCIAL INFORMATION

Contract costs

Our contract costs increased by approximately HK\$13.4 million, or 2.1%, from approximately HK\$627.7 million for the year ended 31 March 2011 to approximately HK\$641.1 million for the year ended 31 March 2012. Such increase was in line with our revenue growth during the year ended 31 March 2012, which resulted in more works being sub-contracted to sub-contractors.

Gross profit and gross profit margin

As a result of revenue growth, our gross profit increased by approximately HK\$3.5 million or 7.6%, from approximately HK\$45.5 million for the year ended 31 March 2011 to approximately HK\$49.0 million for the year ended 31 March 2012, while our gross profit margin remained relatively stable with slight increase from approximately 6.8% to approximately 7.1%.

Other income and gains

Other income and gains increased from approximately HK\$2.6 million for the year ended 31 March 2011 to approximately HK\$3.6 million for the year ended 31 March 2012, mainly because our Group started receiving management fee income from the Retained Vantage Group in connection with TW7 Project which commenced in August 2011. Further information relating to the management fee received from the Retained Vantage Group is set out in the paragraph “Our other income and gains” in this section.

Administrative expenses

Administrative expenses increased slightly by approximately HK\$0.5 million or 3.1%, from approximately HK\$18.3 million for the year ended 31 March 2011 to approximately HK\$18.8 million for the year ended 31 March 2012, which was in line with our mild revenue growth.

Finance costs

Finance costs represent interest on bank loans and overdrafts wholly repayable within five years of approximately HK\$33,000 for the year ended 31 March 2012.

No finance costs was recorded for the year ended 31 March 2011 because no interest bearing bank loan was drawn down by our Group during the year ended 31 March 2011.

Income tax expense

Income tax expense increased by approximately HK\$0.6 million from approximately HK\$4.9 million for the year ended 31 March 2011 to approximately HK\$5.5 million for the year ended 31 March 2012. The increase was mainly attributable to and in line with the increase in profit before tax from approximately HK\$29.9 million for the year ended 31 March 2011 to approximately HK\$33.7 million for the year ended 31 March 2012.

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The effective tax rate remained stable at approximately 16.4% for the years ended 31 March 2011 and 2012.

Profit attributable to owners of the parent

As a result of the above factors, profit for the year attributable to owners of the parent increased by approximately HK\$3.2 million, or 12.9%, from approximately HK\$25.0 million for the year ended 31 March 2011 to approximately HK\$28.2 million for the year ended 31 March 2012. Our net profit margin improved slightly from approximately 3.7% for the year ended 31 March 2011 to approximately 4.1% for the year ended 31 March 2012, mainly due to the higher gross profit achieved as we increased our revenue mildly for the year ended 31 March 2012.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital needs primarily through internally generated cash flows, bank borrowings and funding from Vantage. Our primary uses of cash are for funding the operation of our projects and our working capital for general corporate purpose. Upon the completion of the [•], our source of funds will be a combination of internally generated funds, bank loans and [•]. As at the Latest Practicable Date, we had not experienced any difficulty in raising funds by bank loans and we had not experienced any liquidity problems in settling our payables in the normal course of business and repaying our bank loans when they fall due.

The following table is a condensed summary of our combined statements of cash flows for the periods indicated:

	Year ended 31 March			Four months ended	
	2011	2012	2013	31 July	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash flows from/(used in)					
operating activities	4,608	130,071	(35,232)	(106,662)	(70,605)
Net cash flows from/(used in)					
investing activities	(377)	(73,235)	(45,790)	(7,964)	110,953
Net cash flows from/(used in)					
financing activities	—	18,736	59,900	49,621	(78,636)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash					
and cash equivalents	4,231	75,572	(21,122)	(65,005)	(38,288)
Cash and cash equivalents					
at beginning of year/period	<u>71,144</u>	<u>75,375</u>	<u>150,947</u>	<u>150,947</u>	<u>129,825</u>
Cash and cash equivalents					
at end of year/period	<u>75,375</u>	<u>150,947</u>	<u>129,825</u>	<u>85,942</u>	<u>91,537</u>

FINANCIAL INFORMATION

Net cash flows from/(used in) operating activities

Our major operating cash flows are derived mainly from revenues from contract works undertaken by us. Our Group derives its cash inflow from operating activities principally from the receipt of payments from contract work and the sources of cash outflow from operations mainly include sub-contracting fees, purchase of materials and direct labour.

Our cash from operating activities reflects profit before tax for the year, mainly adjusted for finance costs, depreciation of property, plant and equipment, gain on disposal of items of property, plant and equipment, gain on changes in fair value of investment properties, the effect of changes in working capital, interest income and expense and Hong Kong profits tax paid.

For the four months ended 31 July 2013, our cash generated from operations consisted of cash flow from operating activities of approximately HK\$16.2 million before net negative changes in working capital of approximately HK\$86.7 million. Net negative changes in working capital primarily consisted of the combined effects of (i) an increase in accounts receivable of approximately HK\$60 million as a result of the revenue growth; and (ii) a decrease in accounts payable HK\$35.1 million. Such outflows were partially offset by the decrease in prepayments, deposits and other receivables of HK\$9.8 million.

For the year ended 31 March 2013, our cash used in operations consisted of cash flow from operating activities of approximately HK\$48.3 million before net negative changes in working capital of approximately HK\$74.4 million. Net negative changes in working capital primarily consisted of (i) an increase in gross amount due from customers for contract works of approximately HK\$48.2 million as a result of timing difference in billing; and (ii) an increase in accounts receivable of approximately HK\$100.4 million because of increased revenue for the year ended 31 March 2013. These outflows were partially offset by the increase in accounts payable of approximately HK\$104.6 million due to the increase in sub-contracting fees payable in 2013 arising from increased contract works.

For the year ended 31 March 2012, our cash generated from operations consisted of cash flow from operating activities of approximately HK\$34.2 million before net positive changes in working capital of approximately HK\$99.7 million. Net positive changes in working capital primarily consisted of (i) an increase in gross amount due from customers for contract works of approximately HK\$32.9 million as a result of timing difference in billing; and (ii) an increase in accounts receivable of approximately HK\$36.8 million because of increased revenue for the year ended 31 March 2012. These outflows were offset by the increase in accounts payable of approximately HK\$167.9 million due to the increase in sub-contracting fees payable in 2012 arising from increased contract works.

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For the year ended 31 March 2011, our cash generated from operations consisted of cash flow from operating activities of approximately HK\$30.7 million before net negative changes in working capital of approximately HK\$21.1 million. Net negative changes in working capital primarily consisted of (i) an increase in gross amount due from customers for contract works of approximately HK\$3.9 million as a result of timing difference in billing; and (ii) a decrease in accounts receivable of approximately HK\$36.9 million because a building construction project was completed during the year ended 31 March 2011. Such inflows were partially offset by the combined effect of (i) a decrease in accounts payable of approximately HK\$40.7 million due to the completion of the building construction project in March 2011; and (ii) a decrease in accruals of costs for contract works of approximately HK\$13.8 million.

Net cash flows from/(used in) investing activities

For the four months ended 31 July 2013, we had a net cash inflow from investing activities of approximately HK\$111.0 million, which was mainly due to the settlement of a significant portion of the amount due from the Retained Vantage Group in preparation for the [•].

For the year ended 31 March 2013, we had a net cash outflow from investing activities of approximately HK\$45.8 million, which was mainly the combined effect of the increase in amount due from the Retained Vantage Group of approximately HK\$400.0 million, repayment of an amount due from the Retained Vantage Group of HK\$327.2 million, and the repayment of a loan by the Retained Vantage Group of approximately HK\$27.0 million.

For the year ended 31 March 2012, we had a net cash outflow from investing activities of approximately HK\$73.2 million, which was primarily resulting from the increase in amount due from the Retained Vantage Group of approximately HK\$240.0 million, and repayment of an amount due from the Retained Vantage Group of HK\$166.8 million.

For the year ended 31 March 2011, we had a net cash outflow from investing activities of approximately HK\$0.4 million, which was primarily resulting from the purchase of property, plant and equipment of approximately HK\$0.4 million.

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Net cash flows from/(used in) financing activities

For the four months ended 31 July 2013, we had a net cash outflow from financing activities of approximately HK\$78.6 million, which was mainly due to the net repayment of interest-bearing bank loans of approximately HK\$78.6 million.

For the year ended 31 March 2013, we had a net cash inflow from financing activities of approximately HK\$59.9 million, which was mainly due to the combined effect of new interest-bearing bank loans raised of approximately HK\$329.6 million and repayment of interest-bearing bank loans of approximately HK\$269.7 million.

For the year ended 31 March 2012, we had a net cash inflow from financing activities of approximately HK\$18.7 million, which was primarily resulting from new interest-bearing bank loans raised of approximately HK\$18.7 million.

For the year ended 31 March 2011, we did not generate any cash inflows or make any cash payments in relation to financing activities.

CAPITAL EXPENDITURES

During the Track Record Period, our Group did not incur significant capital expenditure and maintained a relatively insignificant amount of machinery throughout the Track Record Period. This was because our Group, acting as the main contractor for all our projects during the Track Record Period, would delegate the actual construction works to our sub-contractors which are required to provide the necessary machinery and equipment.

WORKING CAPITAL

Taking into account of the [•] available to us from the [•], our cash at bank and in hand, our available banking facilities and our future operating cash flows, our Directors are of the opinion that we have sufficient working capital to meet our requirements for at least the next 12 months from the date of this document.

We strive to manage our cash flow to ensure that we have sufficient funds to meet our existing and future cash requirements. In addition to cash generated from our operations and [•], we may consider, if necessary, to obtain bank loans to fund our working capital requirement.

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NET CURRENT ASSETS

The table below sets out, as at the dates indicated, our current assets, current liabilities and net current assets:

	As at 31 March			As at 31 July	As at
	2011	2012	2013	2013	30 September
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CURRENT ASSETS					
Gross amount due from customers for contract works	4,461	37,318	85,557	85,714	81,556
Accounts receivable	89,970	126,783	227,177	287,213	317,816
Prepayments, deposits and other receivables	48,767	122,941	186,008	65,563	58,842
Due from a joint venture	950	—	—	—	—
Tax recoverable	22	43	—	—	—
Pledged deposit	1,075	1,075	—	—	—
Cash and cash equivalents	<u>74,300</u>	<u>149,872</u>	<u>129,825</u>	<u>91,537</u>	<u>91,956</u>
Total current assets	<u>219,545</u>	<u>438,032</u>	<u>628,567</u>	<u>530,027</u>	<u>550,170</u>
CURRENT LIABILITIES					
Accounts payable	70,178	238,106	342,687	307,592	328,349
Accruals of costs for contract works	21,075	22,039	5,390	2,980	5,133
Tax payable	274	1,923	2,357	5,870	6,940
Other payables and accruals	53,863	54,262	55,999	57,224	48,042
Interest-bearing bank loans	—	18,736	78,636	—	—
Total current liabilities	<u>145,390</u>	<u>335,066</u>	<u>485,069</u>	<u>373,666</u>	<u>388,464</u>
NET CURRENT ASSETS	<u>74,155</u>	<u>102,966</u>	<u>143,498</u>	<u>156,361</u>	<u>161,706</u>

As at 31 July 2013, our current assets of approximately HK\$530.0 million comprised of (i) gross amount due from customers for contract works of approximately HK\$85.7 million; (ii) accounts receivable of approximately HK\$287.2 million; (iii) prepayments, deposits and other receivables of approximately HK\$65.6 million; and (iv) cash and cash equivalents of approximately HK\$91.5 million.

As at 31 July 2013, our current liabilities of approximately HK\$373.7 million comprised of (i) accounts payable of approximately HK\$307.6 million; (ii) accruals of costs for contract works of approximately HK\$3.0 million; (iii) Tax payable of approximately HK\$5.9 million; and (iv) Other payables and accruals of approximately HK\$57.2 million.

Our net current assets increased by approximately HK\$12.9 million, or 9.0%, from approximately HK\$143.5 million as at 31 March 2013 to approximately HK\$156.4 million as at 31 July 2013. The increase was mainly due to (i) an increase in accounts receivable of approximately HK\$60.0 million; (ii) a decrease in accounts payable of approximately

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HK\$35.1 million; and (iii) a decrease in interest-bearing bank loans of approximately HK\$78.6 million. The effects of the foregoing factors, were partially offset by (i) a decrease in prepayments, deposits and other receivables of approximately HK\$120.4 million; and (ii) a decrease in cash and cash equivalents of approximately HK\$38.3 million.

Our net current assets increased by approximately HK\$40.5 million, or 39.4%, from approximately HK\$103.0 million as at 31 March 2012 to approximately HK\$143.5 million as at 31 March 2013. The increase was mainly due to (i) an increase in gross amount due from customers for contract works of approximately HK\$48.2 million; (ii) an increase in accounts receivable of approximately HK\$100.4 million; (iii) an increase in prepayments, deposits and other receivables of approximately HK\$63.1 million; and (iv) a decrease in accruals of costs for contract works of approximately HK\$16.6 million. The effects of the foregoing factors, were partially offset by (i) an increase in accounts payable of approximately HK\$104.6 million; (ii) an increase in interest-bearing bank loans of approximately HK\$59.9 million; and (iii) a decrease in cash and cash equivalents of approximately HK\$20.0 million.

Our net current assets increased by approximately HK\$28.8 million, or 38.9%, from approximately HK\$74.2 million as at 31 March 2011 to approximately HK\$103.0 million as at 31 March 2012. The increase was mainly due to an increase in (i) gross amount due from customers for contract works of approximately HK\$32.9 million; (ii) accounts receivable of approximately HK\$36.8 million; (iii) prepayments, deposits and other receivables of approximately HK\$74.2 million; and (iv) cash and cash equivalent of approximately HK\$75.6 million. The effects of the foregoing factors, were partially offset by (i) an increase in accounts payable of approximately HK\$167.9 million; and (ii) an increase in interest-bearing bank loans of approximately HK\$18.7 million.

CERTAIN MAJOR COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

Gross amount due from customers for contract works

Gross amount due from customers for contract works represent the surplus derived when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. The increase from approximately HK\$4.5 million as at 31 March 2011 to HK\$37.3 million as at 31 March 2012 was mainly attributable to the commencement of certain waterworks and utilities civil engineering works in which the site preparation costs have been incurred but relevant works have not yet been certified by the relevant employers.

The gross amount due from customers for contract works as at 31 March 2013 mainly attributable to certain replacement and rehabilitation projects for the WSD of approximately HK\$43.5 million and the provision of external cable construction works and outside telecommunication on plant maintenance services and other civil engineering works contracts for HKT Group of approximately HK\$23.8 million. The increase in gross amount due from customers for contract works as compared to 31 March 2012 was mainly due to the timing difference in billing.

As at 31 July 2013, the gross amount due from customers for contract works remained stable as compared to 31 March 2013.

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Accounts receivable

Accounts receivable includes retention receivables. Accounts receivable increased from approximately HK\$90.0 million as at 31 March 2011 to approximately HK\$126.8 million as at 31 March 2012 and increased to HK\$227.2 million as at 31 March 2013 and further increased to HK\$287.2 million as at 31 July 2013, which was in line with the increase in our revenue during the Track Record Period. All of the accounts receivable were not impaired as at 31 March 2011, 31 March 2012 and 31 March 2013 and 31 July 2013.

The following table sets out the aging analysis of the accounts receivable as at 31 March 2011, 31 March 2012 and 31 March 2013 and 31 July 2013.

	As at 31 March			As at
	2011	2012	2013	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Past due but not impaired:				
One to three months past due	1,546	2,149	3,741	7,680
Four to six months past due	34	83	40	28
Over six months past due	56	365	—	55
	1,636	2,597	3,781	7,763
Neither past due nor impaired	88,334	124,186	223,396	279,450
	89,970	126,783	227,177	287,213

The credit term offered by our Group was in accordance with the terms specified in each contract being entered into with relevant customers which was generally about 30 days. Generally, payments would be paid within 21 days from the date of issue of the payment certificate for the Government projects while it takes around a month for private sector projects.

Accounts receivable that were past due but not impaired relate to a number of Independent Third Party customers that have a good track record with our Group. They are customers that have established business relationship with our Group and have no history of defaulting payment to our Group. Based on past experience and historical payment record of such customers, our Directors are of the opinion that the exposure to credit risk is minimal and no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

As detailed in the section headed “Business” in this document, in most contracts, there is a contract term for the customers to hold up a retention money from the progress payment which will generally be used for recovery of the damages, charges, expenses for which the contractor is liable to the customers in connection with the undertaking of the relevant project. The retention money for each project ranges from 1% to 10% of the total

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contract sum for a period of time according to the terms of respective contract to ensure satisfactory completion of the projects. Generally, for the retention money, either the first half of the retention money is released upon completion of the project and the second half of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of the works, or all of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of our works. The retentions held by customers for contract works included in accounts receivable amounted to approximately HK\$48.8 million, HK\$54.3 million, HK\$95.0 million and HK\$113.4 million as at 31 March 2011, 31 March 2012, 31 March 2013 and 31 July 2013 respectively. The increase in the retention receivables as at 31 March 2013 and 31 July 2013 was mainly contributed by the retention receivables from a building construction contract works of approximately HK\$67.8 million and HK\$80.3 million respectively.

As at 31 October 2013, about 60.5% of the outstanding accounts receivable balances as at 31 July 2013 have been subsequently settled. About 99.9% of the remaining trade receivable balance represented retentions receivable, which were only required to be settled upon project completion and/or expiry of maintenance period according to the relevant contract terms.

Prepayments, deposits and other receivables

	As at 31 March			As at
	2011	2012	2013	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i> <i>HK\$'000</i>
Prepayments	7,823	5,800	3,834	2,546
Deposits and other receivables	13,944	16,865	34,206	25,689
Due from the Retained Vantage Group	27,000	73,276	147,968	37,328
Loan to the Retained Vantage Group	—	27,000	—	—
	<u>48,767</u>	<u>122,941</u>	<u>186,008</u>	<u>65,563</u>

Prepayments amounted to approximately HK\$7.8 million, HK\$5.8 million, HK\$3.8 million and HK\$2.5 million as at 31 March 2011, 31 March 2012 and 31 March 2013 and 31 July 2013 respectively. The balance mainly represented insurance prepayments for construction contracts. The decrease in such balance as at 31 March 2012 and 31 March 2013 and 31 July 2013 was mainly attributable to the amortisation of insurance prepayment over contract periods of each construction projects and that fact that insurance prepayment for TW7 Project was borne by the Retained Vantage Group.

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Deposits and other receivables amounted to approximately HK\$13.9 million, HK\$16.9 million, HK\$34.2 million and HK\$25.7 million as at 31 March 2011, 31 March 2012 and 31 March 2013 and 31 July 2013 respectively. The balance mainly represented performance deposits and advances to sub-contractors for construction projects. The increase in performance deposits and advances to sub-contractors was mainly attributable to the commencement of certain new sizeable civil engineering projects during the three years ended 31 March 2013. The decrease in the balance as at 31 July 2013 was mainly due to the settlement of the advances to sub-contractors during the four months ended 31 July 2013.

The amount due from the Retained Vantage Group, which is of trade nature arising from sub-contracting arrangement between our Group and the Retained Vantage Group, amounted to approximately HK\$27.0 million, HK\$73.2 million, HK\$148.0 million and HK\$37.3 million. The significant increase in balance as at 31 March 2012 and 31 March 2013 was mainly because we sub-contracted TW7 Project to the Retained Vantage Group which commenced in August 2011 and was in full swing during the year ended 31 March 2013, and in connection with this, we purchased materials for the use of the Retained Vantage Group, which led to the increase in such balance. The significant decrease in balance as at 31 July 2013 was primarily due to the repayment from the Retained Vantage Group in preparation for the [•]. The amount due from the Retained Vantage Group is currently expected to be fully settled after full certification of completion and expiry of maintenance period for TW7 Project.

The loan to the Retained Vantage Group of HK\$27 million as at 31 March 2012 was interest-bearing at an annual interest rate with reference to HIBOR and has no fixed term of repayment. The balance was fully settled during the year ended 31 March 2013.

Pledged deposit and cash and cash equivalents

Our pledged bank deposit represents cash pledged against bank overdraft facilities for our Group. Our pledged bank deposit was approximately HK\$1.1 million as at 31 March 2011 and 31 March 2012. Such pledged deposit was released during the year ended 31 March 2013. Cash and cash equivalents comprise cash held by our Group and non-pledged time deposits with original maturity of less than three months when acquired. For further information relating to the cash flows of our Group during the Track Record Period, refer to the sub-section headed “Liquidity and Capital Resources” in this section.

Accounts payable

Accounts payable represented the amounts due to the Retained Vantage Group and other sub-contractors, for its sub-contract works and suppliers of materials. The payables due to the Retained Vantage Group were unsecured, interest free and have no fixed terms of repayment. All other accounts payable are non-interest bearing and the payment terms are stipulated in the relevant contracts. The increase in accounts payable as at 31 March 2012 and 31 March 2013 was a result of the increase in contract works done by our Group for the years as indicated by the increase in revenue for the financial years ended 31 March 2012 and 31 March 2013.

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Accounts payable decreased from approximately HK\$342.7 million as at 31 March 2013 to approximately HK\$307.6 million as at 31 July 2013 mainly because of the settlement of payables in connection with the procurement of construction materials of TW7 Project by us during the four months ended 31 July 2013.

The amounts due to sub-contractors of our Group included retention payables. Retention payables represented the money withheld by our Group when making interim payment to the sub-contractors. Retention money will usually be retained by us for a period of time according to the terms of respective contract to ensure satisfactory completion of the projects by our sub-contractors. The retention money for each project ranges from 1% to 10% of the total contract sum for a period of time. Generally, for the retention money, either, the first half of the retention money is released upon completion of the project and the second half of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of our works, or all of the retention money is released to us upon expiry of the guaranteed maintenance period subject to the customers’ satisfaction of our works. The retention payable amounted to approximately HK\$39.8 million, HK\$50.9 million, HK\$111.8 million and HK\$116.2 million as at 31 March 2011, 31 March 2012 and 31 March 2013 and 31 July 2013 respectively, which increased as a result of more sub-contracting works during the Track Record Period.

The following table sets out the ageing analysis of the accounts payable as at 31 March 2011, 31 March 2012 and 31 March 2013 and 31 July 2013.

	As at 31 March			As at
	2011	2012	2013	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2013</i>
				<i>HK\$'000</i>
Current to 3 months	68,939	236,764	331,451	306,027
4 to 6 months	6	1,036	10,802	392
Over 6 months	<u>1,233</u>	<u>306</u>	<u>434</u>	<u>1,173</u>
	<u><u>70,178</u></u>	<u><u>238,106</u></u>	<u><u>342,687</u></u>	<u><u>307,592</u></u>

We normally settle accounts payable with a credit period ranging from 7 to 30 days. The accounts payable are short term and hence their carrying values are considered by our Directors to be a reasonable approximation of their fair values. The majority of accounts payable as at 31 March 2011, 31 March 2012 and 31 March 2013 and 31 July 2013 were current or aged less than 4 months.

As at 31 October 2013, about 61.7% of the outstanding trade payable balances as at 31 July 2013 have been subsequently settled. About 98.3% of the remaining trade payable balances represented retentions payable, which were only required to be settled upon project completion and/or expiry of maintenance period according to the relevant contract terms.

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Accruals of costs for contract works

Accruals of costs for contract works represent accrued costs payable to sub-contractors for contract works. During the Track Record Period, the amounts increased from approximately HK\$21.1 million as at 31 March 2011 to approximately HK\$22.0 million as at 31 March 2012 and then decreased to approximately HK\$5.4 million and HK\$3.0 million as at 31 March 2013 and 31 July 2013, respectively, due to differences in billing time.

Other payables and accruals

	As at 31 March			As at
	2011	2012	2013	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other payables and accruals	1,759	2,043	2,267	3,243
Due to Vantage	52,104	52,219	53,732	53,742
Due to the Retained Vantage Group	—	—	—	239
	<u>53,863</u>	<u>54,262</u>	<u>55,999</u>	<u>57,224</u>

The other payables and accruals represented accrued expenses in relation to our Group’s operating activities.

The amount due to Vantage arose from a reorganisation within the Vantage Group in the past and to a lesser extent the management fee payable to Vantage for sharing of corporate expenses. The amount due to Vantage and the amount due to the Retained Vantage Group were unsecured, interest-free and have no fixed terms of repayment. The amount due to Vantage arose from the reorganisation within the Vantage Group in the past will be cleared by way of assignment of shareholder’s loans owed by Great Jump and Top Integration from Profit Chain to Best Trader during the Reorganisation. The management fee payable to Vantage for sharing of corporate expenses and the amount due to the Retained Vantage Group will also be settled by way of cash using our Group’s own internal resources before [•].

Interest-bearing bank loans

Our interest-bearing bank loans represent secured bank borrowings amounted to nil, approximately HK\$18.7 million and approximately HK\$78.6 million as at 31 March 2011, 31 March 2012 and 31 March 2013, respectively. As compared to the year ended 31 March 2011, as the scale of our projects became larger for the two years ended 31 March 2013, our Group borrowed loans from banks during the two years ended 31 March 2013 to partly finance the operation of one of our projects. For the years ended 31 March 2011, 31 March 2012 and 31 March 2013, the effective contractual interest rate was nil, 2.45%, and 2.19% to 2.55%, respectively, for our interest-bearing bank loans. We repaid all interest-bearing bank loans during the four months ended 31 July 2013, and hence no interest-bearing bank loans existed as at 31 July 2013.

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During the Track Record Period, the financing agreements with the financial institutions are entered into under normal standard terms and conditions. During the Track Record Period and as at the Latest Practicable Date, none of our lenders have claimed default against us under any of the terms in the financing agreements.

CERTAIN KEY FINANCIAL RATIOS

The following table sets out certain key financial ratios of our Group for the Track Record Period:

	Notes	Year ended 31 March			Four months ended
		2011	2012	2013	31 July 2013
Turnover growth	1	43.5%	2.5%	42.6%	100.2%
Adjusted turnover growth *	1	0.9%	57.8%	-3.7%	51.5%
Net profit growth	2	2.8%	12.9%	42.2%	30.1%
Gross margin	3	6.8%	7.1%	5.6%	3.7%
Adjusted gross margin *	3	15.1%	9.7%	11.0%	9.1%
Net profit margin before interest and tax	4	4.4%	4.9%	5.1%	2.5%
Net profit margin	5	3.7%	4.1%	4.1%	1.9%
Return on equity	6	32.8%	27.0%	27.7%	24.2%
Return on total assets	7	11.3%	6.4%	6.4%	7.2%
Accounts receivable turnover days	8	58.8	57.3	65.6	48.0
Accounts payable turnover days	9	52.7	87.8	114.1	63.0
Current ratio	10	1.5	1.3	1.3	1.4
Gearing ratio	11	0%	17.9%	54.4%	0%
Interest coverage ratio	12	N/A	1,022.0	26.7	83.8

* Adjusted to exclude contribution from building construction and maintenance business.

Notes:

1. The calculation of turnover growth is based on the difference between our turnover of respective period and previous period, divided by our turnover of previous period multiplied by 100%.
2. The calculation of net profit growth is based on the difference between our net profit of respective period and previous period, divided by our net profit of previous period multiplied by 100%.
3. The calculation of gross margin is based on our gross profit of respective period divided by our turnover of respective period multiplied by 100%.

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4. *The calculation of net profit margin before interest & tax is based on our net operating profit before interest and tax of respective period divided by our turnover of respective period multiplied by 100%.*
5. *The calculation of net profit margin is based on our net profit of respective period divided by our turnover of respective period multiplied by 100%.*
6. *For each of the three years ended 31 March 2013, the calculation of return on equity is based on the profit attributable to owners of the parent of the respective period divided by the ending equity attributable to owners of the parent of the respective period and multiplied by 100%. For the four months ended 31 July 2013, the calculation of return on equity is based on the profit attributable to owners of the parent divided by the ending equity attributable to owners of the parent, multiplied by 365/122, and then multiplied by 100%.*
7. *For each of the three years ended 31 March 2013, the calculation of return on total assets is based on the profit attributable to owners of the parent of the respective period divided by the ending total assets of the respective period and multiplied by 100%. For the four months ended 31 July 2013, the calculation of return on total assets is based on the profit attributable to owners of the parent divided by the ending total assets, multiplied by 365/122, and then multiplied by 100%.*
8. *Accounts receivable turnover days is calculated based on the average of the beginning and ending balance of accounts receivable for the year/period divided by revenue during the year/period and multiplied by 365 days for the years ended 31 March 2011, 2012 and 2013 |122 days for the four months ended 31 July 2013.*
9. *Accounts payable turnover days is calculated based on the average of the beginning and ending balance of accounts payable for the year/period divided by contract costs for the year/period and multiplied by 365 days for the years ended 31 March 2011, 2012 and 2013 |122 days for the four months ended 31 July 2013.*
10. *Current ratio is calculated by dividing current assets by current liabilities as at the respective year/period end.*
11. *Gearing ratio is calculated by dividing total interest-bearing bank loans by the total equity as at the respective year/period end.*
12. *The calculation of interest coverage is based on our profit before finance costs and income tax expense of the respective period divided by our finance costs of the respective period.*

Please refer to the paragraphs “Four months ended 31 July 2013 compared to four months ended 31 July 2012”, “Financial year ended 31 March 2013 compared with the financial year ended 31 March 2012” and “Financial year ended 31 March 2012 compared with the financial year ended 31 March 2011” in this section for discussions regarding our turnover growth, net profit growth and gross and net profit margins during the Track Record Period.

Return on equity and return on total assets

Our return on equity for the years ended 31 March 2011, 2012 and 2013 and the four months ended 31 July 2013 was approximately 32.8%, 27.0%, 27.7% and 24.2%, respectively, and our return on total assets for the years ended 31 March 2011, 2012 and 2013 and the four months ended 31 July 2013 was approximately 11.3%, 6.4%, 6.4% and 7.2% respectively.

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The decreases in both our return on equity and return on total assets for the year ended 31 March 2012 as compared to the year ended 31 March 2011 were mainly due to a less-than-proportionate increase in our net profit as compared to the growth in the increases in our equity and total assets, which was mainly resulted from a relatively mild growth in our revenue for the year ended 31 March 2012.

Both our return on equity and return on total assets remained relatively stable for the year ended 31 March 2013 as compared to the year ended 31 March 2012.

The decrease in our return on equity for the four months ended 31 July 2013 as compared to the year ended 31 March 2013 was mainly due to a less-than proportionate increase in our net profit as compared to the growth in the increase in our equity. The increase in our return on total assets for the four months ended 31 July 2013 as compared to the year ended 31 March 2013 was mainly to the reduction of total assets.

Accounts receivable turnover days

The credit term offered by our Group was in accordance with the terms specified in each contract being entered into with relevant customers. For the financial years ended 31 March 2011, 2012 and 2013 and the four months ended 31 July 2013, our Group’s accounts receivable turnover days was approximately 58.8 days, 57.3 days, 65.6 days and 48.0 days, respectively. Retention receivables for each project generally ranged from 1% to 10% of the total contract sums. Since the retention monies were withheld by customers and were not released until some time after completion of the project and/or upon expiry of the guaranteed maintenance period according to the terms of respective contracts, our accounts receivable turnover days, which have also accounted for retention receivables, were longer than 30 days during the Track Record Period. The slight increase in accounts receivable turnover days for the year ended 31 March 2013 as compared to that for the year ended 31 March 2012 was primarily due to higher accounts receivable balance related to TW7 Project as at 31 March 2013 since TW7 Project which started in the second half of the year ended 31 March 2012 was in full swing during the year ended 31 March 2013. The decrease in accounts receivable turnover days for the four months ended 31 July 2013 was mainly because of faster processing of settlement for the accounts receivable relating to certain R&R Programme projects by our customer during the four months ended 31 July 2013.

Accounts payable turnover days

The accounts payable turnover days increased from approximately 52.7 days in 2011 to approximately 87.8 days in 2012 and approximately 114.1 days in 2013 and decreased to approximately 63.0 days for the four months ended 31 July 2013. Retention payables for each project generally ranged from 1% to 10% of the total contract sums. Since the retention monies were released some time after completion of the project and/or upon expiry of the guaranteed maintenance period according to the terms of respective contracts, our accounts payable turnover days, which have also accounted for retention payables, were longer than 30 days during the Track Record Period. As a project may comprise variation orders and would involve sub-contract agreements, sufficient amount of time is needed to not only identify the corresponding sub-contractors and its work progress but also to match the settlement from customers with the payables of the corresponding sub-contractors. For

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the two years ended 31 March 2012 and 2013 and the four months ended 31 July 2013, our Group’s accounts payable turnover days were longer than our accounts receivable turnover days primarily due to (i) the more flexible settlement period obtained from suppliers which have long-term business relationships with our Group; and (ii) the additional time required to process the payment of the accounts payable after settlement of the corresponding accounts receivables with our customers. The overall increasing trend during the three years ended 31 March 2013 was in line with our practice to match the payment received from customers with the payment to be paid by us in order to better manage our cash flow, and we usually settle the accounts payable after the settlement of the corresponding accounts receivable. The decrease in accounts payable turnover days for the four months ended 31 July 2013 was mainly because of faster settlement of the accounts payable in connection with the procurement of construction materials by us during the period.

Current ratio

Current ratio was maintained at a relatively steady level throughout the Track Record Period. Our Group has been striving to maintain adequate liquidity and working capital position to cope with our operation needs for our projects, recording net current asset position as at 31 March, 2011, 2012 and 2013 and 31 July 2013 respectively. Our Directors believe that the current ratio of our Group has been maintained at a healthy level during the Track Record Period.

Gearing ratio

Gearing ratio is calculated based on the amount of total interest-bearing bank loans divided by the total equity as at the respective year/period end. As compared to 31 March 2011, the increase in gearing ratio as at 31 March 2012 and 2013 was mainly due to the increase in total interest-bearing bank loans which increased from nil as at 31 March 2011 to approximately HK\$18.7 million as at 31 March 2012 and further to approximately HK\$78.6 million as at 31 March 2013. We borrowed bank loans during each of the years ended 31 March 2012 and 2013 to partly finance TW7 Project which started in August 2011 and was ongoing as at 31 March 2013.

Despite the increasing trend in our gearing ratio during the three years ended 31 March 2013, our Group maintained a net cash position during the Track Record Period. We repaid all interest-bearing bank loans during the four months ended 31 July 2013, mainly because we stopped providing financing to the Retained Vantage Group since June 2013 for TW7 Project.

Interest coverage ratio

Our interest coverage ratio for the years ended 31 March 2012 and 2013 and the four months ended 31 July 2013 was 1,022.0 times, 26.7 times and 83.8 times, respectively. The interest coverage ratio decreased for the year ended 31 March 2013 as compared to the year ended 31 March 2012 and was mainly due to increase in finance costs as a result of the increase in interest-bearing bank loans. As we did not borrow any interest-bearing loans, we did not incur any finance cost during the year ended 31 March 2011.

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The interest coverage ratio increased for the four months ended 31 July 2013 as compared to the year ended 31 March 2013 and was mainly due to the decrease in finance costs as a result of repayment of interest-bearing bank loans during the four months ended 31 July 2013.

STATEMENT OF INDEBTEDNESS

Bank borrowings, security and guarantees

As at 30 September 2013, being the latest practicable date for the purpose of this statement prior to the printing of this document, our Group had aggregate bank facilities of approximately HK\$226,000,000 which was not utilised.

As at 30 September 2013, the banking facilities were secured by the following:

- (a) Corporate guarantee from Vantage amounted to HK\$242,000,000; and
- (b) The assignment of our Group’s accounts receivable under certain contract works with an aggregate amount of approximately HK\$215,853,000.

All the corporate guarantees provided by Vantage, a connected person of our Company, in relation to the banking facilities will be released or replaced by guarantees by our Company and/or other security of our Group upon [•].

Our Directors confirmed that we had not experienced difficulties in meeting obligations during the Track Record Period and none of our Group’s bank overdrafts and bank borrowings facilities are subject to the fulfillment of covenants relating to financial ratio requirements which would adversely affect our Group’s ability to undertake additional debt or equity financing.

Contingent liabilities

As at 31 March 2011, 2012 and 2013 and 31 July 2013, our Group provided guarantee to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$17.9 million, HK\$15.2 million, HK\$37.8 million and HK\$37.8 million, respectively. As at 30 September 2013, other than guarantee to certain banks in respect of performance bonds of approximately HK\$37.8 million and save as disclosed in this Document, our Group had no material contingent liabilities and was not involved in any material legal proceedings. Our Directors are not aware of any pending or potential material legal proceedings involving our Group. If our Group is involved in such material legal proceedings, our Group will record contingency loss when, based on information then available, it is likely that a loss will incur and the amount of loss can be reasonable estimated.

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Operating lease commitments

Our Group as lessee

At the end of each of the Track Record Period, our Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at
	2011	2012	2013	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,419	3,076	4,600	6,194
In the second to fifth years, inclusive	474	2,946	1,521	6,338
	2,893	6,022	6,121	12,532

Operating lease payments represent rentals payable by our Group for certain of its construction site offices. Leases are negotiated for terms from 1 to 4 years.

Save as otherwise disclosed above, and apart from the intra-group liabilities, accruals of costs for contract works, our Group did not have, at the close of business on 30 September 2013, any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits or any guarantees or other material contingent liabilities outstanding.

OFF-BALANCE SHEET TRANSACTIONS

Except for the commitments and contingent liabilities set forth above, our Group has not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

Interest rate risk

Our Group’s exposure to the risk of changes in market interest rates relating primarily to our Group’s debt obligations with floating interest rates. Our Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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At 31 March 2011, 2012 and 2013 and 31 July 2013, it is estimated that an increase/decrease of 25 basis points in interest rates, with all other variables held constant, would decrease/increase our Group’s profit after tax and retained profits by nil, approximately HK\$39,000, approximately HK\$164,000 and nil, respectively, arising as a result of higher/lower interest expense on our Group’s floating-rate borrowings. This sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of each year of the Track Record Period, and that the amount of variable-rate borrowings outstanding at the end of each year of the Track Record Period was outstanding throughout the whole year.

Credit risk

Our Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations as at 31 March 2011, 2012 and 2013 and 31 July 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position. Management monitors the creditworthiness and payment patterns of each debtor closely and on an on-going basis. As our Group’s customers in respect of contract works primarily consist of government departments and developers or owners with strong financial backgrounds, management considers that the risk of irrecoverable receivables from contract works is not significant.

As at 31 March 2011, 2012 and 2013 and 31 July 2013, our Group has concentration of credit risk as 41%, 43%, 60% and 63% of the total accounts receivable were due from our Group’s largest external customers while 95%, 95%, 98% and 99% of the total accounts receivable were due from our Group’s five largest external customers, respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, our Group’s policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. In addition, banking facilities have been put in place for contingency purposes.

DISCLOSURE REQUIRED UNDER THE [•]

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under [•].

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in note 32 headed “Related Party Transactions” to the Accountants’ Report set out in Appendix I to this document. Our Directors confirm that these related party transactions were conducted on normal commercial terms.

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DIVIDENDS AND RESERVES

Prior to the Reorganisation, EXCEL declared a one-off and non-recurring dividend of HK\$60 million to the then shareholder, Great Jump on [•] November 2013. On the same day, Great Jump declared the entire HK\$60 million as dividend to the then shareholder, Profit Chain. Such dividend will be funded by using our internal resources and paid before the [•] in December 2013. Investors in the [•] and persons becoming our Shareholders after the [•] will not be entitled to such dividend. After completion of the [•], our Shareholders will be entitled to receive dividends only when declared by our Board. Save as aforesaid, no dividend has been paid or declared by companies comprising our Group or our Company during the Track Record Period and from 1 August 2013 up to the Latest Practicable Date.

Our historical dividend distribution in the past should not be indicative of our future dividend policy. In general, the amount of future dividends to be declared by our Company will depend on factors such as our profitability, financial condition, business development requirements, future prospects and cash requirements. Any declaration and payment, as well as the amount of dividends, will be subject to our constitutional documents and Cayman Islands laws, including the approval of our Shareholders and our Directors. Our Directors consider that our Company’s dividend policy mentioned above will not materially affect our Group’s working capital position in the coming years.

As at 31 July 2013, our Company did not have any distributable reserves available for distribution to the Shareholders.

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OUR BUILDING CONSTRUCTION AND MAINTENANCE BUSINESS WHICH SHALL BE CEASED

We are principally engaged in civil engineering construction business. During the whole history of our operation, we were engaged in only two private residential building construction projects. The principal reason for our engaging in private residential building construction projects was in relation to the overall strategies and considerations of the Vantage Group, in particular, on diversification of risks and establishing track records on different nature of construction projects among member companies. As the Retained Vantage Group has been engaged in building construction projects and possesses the relevant expertise and technical experience, it was then decided for us to sub-contract the two private residential building construction projects to the Retained Vantage Group.

The two private residential building construction projects that we have undertaken are MOS Project which was completed in March 2011 and TW7 Project which commenced in August 2011. In addition to building construction, we were also engaged in certain relatively minor building maintenance works in terms of scale and value during the Track Record Period. We shall not take up any new building construction projects and maintenance works, and shall cease all building construction and maintenance business upon completion of TW7 Project.

As set out in the section headed “Relationship with Controlling Shareholders” in this document, the Retained Vantage Group is principally engaged in, among other things, building construction works for public and private sectors in Hong Kong including construction of buildings. As part of the effort to ensure clear delineation of business activities between our Group and the Retained Vantage Group after the [•], our Group will continue to focus on civil engineering construction business which is our core business and shall cease engaging in building construction and maintenance works except for TW7 Project which is expected to be completed in mid-2014. Except for TW7 Project which we will continue until its completion in order to fulfill our obligations under the terms of the relevant project contract, upon the [•] we will no longer be engaged in building construction and maintenance business.

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During the Track Record Period, we recorded revenue of approximately HK\$371 million, HK\$213 million, HK\$525 million and HK\$435 million from building construction and maintenance works, representing approximately 55.1%, 30.9%, 53.3% and 66.5% of our total revenue, for each of the three years ended 31 March 2013 and the four months ended 31 July 2013 respectively. For illustration purpose only, below is a summary of the major income and expense items which are directly attributable to our building construction and maintenance business as recorded in our combined statements of comprehensive income during the Track Record Period:

	Year ended 31 March			Four months ended 31 July 2013
	2011	2012	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Relating to gross profit generated from building construction and maintenance business				
— Revenue	371,002	213,141	524,907	435,120
— Contract costs	<u>(370,997)</u>	<u>(210,602)</u>	<u>(519,740)</u>	<u>(430,549)</u>
— Gross profit	(A) <u>5</u>	<u>2,539</u>	<u>5,167</u>	<u>4,571</u>
Relating to staff cost reimbursement for TW7 Project				
— Management fee income from the Retained Vantage Group for staff cost reimbursement (<i>Note</i>)	(B) <u>—</u>	<u>1,320</u>	<u>9,880</u>	<u>2,458</u>
Relating to sharing of corporate expense of the Vantage Group attributable to MOS Project and TW7 Project				
— Management fee paid to Vantage (<i>Note</i>)	—	(1,535)	(4,146)	—
— Management fee income charged back to the Retained Vantage Group to recover the corresponding amount of management fee paid to Vantage (<i>Note</i>)	<u>—</u>	<u>1,535</u>	<u>4,146</u>	<u>—</u>
	(C) <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Relating to financing of materials purchase for TW7 Project				
— Finance costs paid by our Group to banks (<i>Note</i>)	—	(33)	(1,848)	(168)
— Interest income reimbursed from the Retained Vantage Group (<i>Note</i>)	<u>—</u>	<u>33</u>	<u>1,848</u>	<u>168</u>
	(D) <u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total financial impact (A) + (B) + (C) + (D)	<u><u>5</u></u>	<u><u>3,859</u></u>	<u><u>15,047</u></u>	<u><u>7,029</u></u>

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Note: Further information relating to these items are set out in this section under the items “Our other income and gains”, “Our administrative expenses” and “Our finance costs”.

In relation to the financial impact shown above relating to our building construction and maintenance business, our Group has seconded staff to Able Contractors and received reimbursement of costs from Able Contractors. Such reimbursement of staff costs amounted to approximately HK\$1,320,000, HK\$9,880,000 and HK\$2,458,000, based on actual salaries and staff benefits costs and approximate amounts of time spent on TW7 Project for the seconded staff for the financial years ended 31 March 2012 and 2013 and the four months ended 31 July 2013 respectively. Our seconded staff to Able Contractors include our Director responsible for the overall management and monitoring of project performance; project staff such as project managers, engineers and safety officer responsible for project execution, co-ordination and safety matters; and other administrative staff responsible for general administrative matters. We anticipate that such seconded staff of our Group would be able to generate revenue from civil engineering projects should they not be seconded to Able Contractors during the same periods.

Our Group will continue to sub-contract TW7 Project to Able Contractor until its completion after [•]. In this connection, our sub-contracting arrangement with the Retained Vantage Group for TW7 Project which involves sub-contracting fee payable to Able Contractors and staff cost reimbursement to receive from Able Contractors will also continue, and such sub-contracting arrangement will constitute a continuing connected transaction upon [•], further information of which is set out in the section headed “Connected Transactions” in this document.

The contract sum for TW7 Project is approximately HK\$1,605 million, of which approximately HK\$1,111 million has already been recognised as our revenue during the Track Record Period. Our Directors expect that the remaining outstanding amount of the contract sum of TW7 Project of approximately HK\$494 million will be recognised by our Group as revenue after [•]. Our Directors currently estimate that TW7 Project will be completed by mid-2014, but due to the time required for certification of project completion, maintenance period, and billing procedures, it is expected that our Group will continue to record relevant income and costs arising from TW7 Project after [•] for the three years ending 31 March 2016 or thereafter, depending on the actual project progress in future.

After [•], as we shall cease to engage in building construction and maintenance business and will not take up any new contract works for building construction and maintenance, our Group will no longer record any revenue and profit from the building construction and maintenance business other than as a result of TW7 Project. Although we will cease to engage in building construction and maintenance works which had significant contribution to our revenue during our Track Record Period, as our Group has managed to grow our principal business of civil engineering construction in its 37-years’ track record and was able to generate the majority of our profit from our civil engineering construction business during the Track Record Period. In that regard, our Directors believe that our Group will be able to continue sustainable business development by focusing on our civil engineering construction business after [•]. For related risk of cessation of the building

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construction and maintenance business of our Group after [•], please refer to “Risk Factors — Cessation of undertaking building construction and maintenance works by us after completion of TW7 Project may have a material adverse effect on our business, operating results and financial condition”.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 July 2013 (being the date on which the latest audited combined financial information of our Group was made up) and there is no event since 31 July 2013 which would materially affect the information shown in our combined financial information included in the Accountants’ Report set forth in Appendix I to this document.

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FUTURE PLANS

FUTURE PLANS AND PROSPECTS

Please refer to the section headed “Business — Business Strategies” in this document for a detailed description of our Group’s future plans.

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APPENDIX I**ACCOUNTANTS’ REPORT**

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the reporting accountants of our Company, [•], Certified Public Accountants, Hong Kong.

[draft]

[[•] November 2013]

The Directors
Excel Development (Holdings) Limited

Dear Sirs,

We set out below our report on the financial information of Excel Development (Holdings) Limited (formerly known as “Excel Engineering (Holdings) Limited”) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the combined statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 March 2011, 2012 and 2013, and the four-month period ended 31 July 2013 (the “Track Record Period”), and the combined statements of financial position of the Group as at 31 March 2011, 2012 and 2013 and 31 July 2013, and the statements of financial position of the Company as at 31 March 2013 and 31 July 2013, together with the notes thereto (the “Financial Information”), and the combined statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the four-month period ended 31 July 2012 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the document of the Company dated [[•] November 2013] (the “Document”) in connection with the [•].

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 April 2012. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 2.1 of Section II below, which was completed on [[•] November 2013], the Company became the holding company of the subsidiaries now comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

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As at the date of this report, the Company had direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 March as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Track Record Period are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the combined financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 March 2011, 2012 and 2013, and the four-month period ended 31 July 2013 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS’ RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS’ RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with [•] issued by the HKICPA.

We have also performed a review of the [•] in accordance with [•] issued by the HKICPA. A review consists principally of making enquires of management and applying analytical procedures to the financial information and, bases thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

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APPENDIX I**ACCOUNTANTS’ REPORT**

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 March 2011, 2012 and 2013 and 31 July 2013, and of the Company as at 31 March 2013 and 31 July 2013, and of the combined results and cash flows of the Group for each of the Track Record Period.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

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ACCOUNTANTS’ REPORT

I. FINANCIAL INFORMATION

(A) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Four-month period ended 31 July	
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000
REVENUE	7	673,168	690,043	984,296	326,719	653,993
Contract costs		<u>(627,650)</u>	<u>(641,086)</u>	<u>(928,785)</u>	<u>(313,999)</u>	<u>(629,611)</u>
Gross profit		45,518	48,957	55,511	12,720	24,382
Other income and gains	7	2,606	3,607	16,973	5,484	3,283
Administrative expenses		(18,264)	(18,839)	(22,678)	(6,202)	(11,248)
Finance costs	8	<u>—</u>	<u>(33)</u>	<u>(1,865)</u>	<u>(337)</u>	<u>(196)</u>
PROFIT BEFORE TAX	9	29,860	33,692	47,941	11,665	16,221
Income tax expense	12	<u>(4,898)</u>	<u>(5,522)</u>	<u>(7,875)</u>	<u>(1,904)</u>	<u>(3,518)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>24,962</u>	<u>28,170</u>	<u>40,066</u>	<u>9,761</u>	<u>12,703</u>
Profit and total comprehensive income attributable to owners of the parent	13	<u>24,962</u>	<u>28,170</u>	<u>40,066</u>	<u>9,761</u>	<u>12,703</u>

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ACCOUNTANTS’ REPORT

(B) COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at 31 July
		2011	2012	2013	2013
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	1,737	943	364	209
Investment properties	17	500	560	600	600
Interest in a joint venture	18	—	—	—	—
Total non-current assets		<u>2,237</u>	<u>1,503</u>	<u>964</u>	<u>809</u>
CURRENT ASSETS					
Gross amount due from customers					
for contract works	19	4,461	37,318	85,557	85,714
Accounts receivable	20	89,970	126,783	227,177	287,213
Prepayments, deposits and other					
receivables	21	48,767	122,941	186,008	65,563
Due from a joint venture	18	950	—	—	—
Tax recoverable		22	43	—	—
Pledged deposit	23	1,075	1,075	—	—
Cash and cash equivalents	23	<u>74,300</u>	<u>149,872</u>	<u>129,825</u>	<u>91,537</u>
Total current assets		<u>219,545</u>	<u>438,032</u>	<u>628,567</u>	<u>530,027</u>
CURRENT LIABILITIES					
Accounts payable	24	70,178	238,106	342,687	307,592
Accruals of costs for contract					
works		21,075	22,039	5,390	2,980
Tax payable		274	1,923	2,357	5,870
Other payables and accruals	25	53,863	54,262	55,999	57,224
Interest-bearing bank loans	26	—	18,736	78,636	—
Total current liabilities		<u>145,390</u>	<u>335,066</u>	<u>485,069</u>	<u>373,666</u>
NET CURRENT ASSETS		<u>74,155</u>	<u>102,966</u>	<u>143,498</u>	<u>156,361</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>76,392</u>	<u>104,469</u>	<u>144,462</u>	<u>157,170</u>

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		As at 31 March			As at
		2011	2012	2013	31 July
	Notes	HK\$'000	HK\$'000	HK\$'000	2013
					HK\$'000
NON-CURRENT LIABILITIES					
Deferred tax liabilities	27	<u>179</u>	<u>86</u>	<u>13</u>	<u>18</u>
Net assets		<u>76,213</u>	<u>104,383</u>	<u>144,449</u>	<u>157,152</u>
EQUITY					
Equity attributable to owners of the parent					
Issued capital	28	—	—	—	—
Reserves	29(a)	<u>76,213</u>	<u>104,383</u>	<u>144,449</u>	<u>157,152</u>
Total equity		<u>76,213</u>	<u>104,383</u>	<u>144,449</u>	<u>157,152</u>

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(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent			Total equity HK\$'000
	Issued capital HK\$'000	Merger reserve HK\$'000	Retained profits HK\$'000	
At 1 April 2010	—	78	51,173	51,251
Profit and total comprehensive income for the year	—	—	24,962	24,962
At 31 March 2011 and 1 April 2011	—	78*	76,135*	76,213
Profit and total comprehensive income for the year	—	—	28,170	28,170
At 31 March 2012 and 1 April 2012	—	78*	104,305*	104,383
Profit and total comprehensive income for the year	—	—	40,066	40,066
At 31 March 2013 and 1 April 2013	—	78*	144,371*	144,449
Profit and total comprehensive income for the period	—	—	12,703	12,703
At 31 July 2013	—	78*	157,074*	157,152
At 1 April 2012	—	78	104,305	104,383
Profit and total comprehensive income for the period (unaudited)	—	—	9,761	9,761
At 31 July 2012 (unaudited)	—	78	114,066	114,144

* These reserve accounts comprise the combined reserves of HK\$76,213,000, HK\$104,383,000, HK\$144,449,000 and HK\$157,152,000 in the combined statements of financial position as at 31 March 2011, 2012 and 2013 and 31 July 2013, respectively.

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(D) COMBINED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 March			Four-month period ended 31 July	
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000
(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		29,860	33,692	47,941	11,665	16,221
Adjustments for:						
Finance costs	8	—	33	1,865	337	196
Interest income	7	(96)	(285)	(2,056)	(384)	(215)
Depreciation	9	1,095	871	596	220	161
Gain on disposal of items of property, plant and equipment	7	—	(9)	—	—	(151)
Gain on changes in fair value of investment properties	7	(140)	(60)	(40)	—	—
		30,719	34,242	48,306	11,838	16,212
(Increase)/decrease in the gross amount due from customers for contract works		(3,872)	(32,857)	(48,239)	2,289	(157)
(Increase)/decrease in accounts receivable		36,864	(36,813)	(100,394)	(75,589)	(60,036)
(Increase)/decrease in prepayments, deposits and other receivables		(987)	(898)	(15,375)	11,246	9,805
(Increase)/decrease in an amount due from a joint venture		(930)	950	—	—	—
Increase/(decrease) in accounts payable		(40,728)	167,928	104,581	(55,893)	(35,095)
Increase/(decrease) in accruals of costs for contract works		(13,786)	964	(16,649)	(1,622)	(2,410)
Increase in other payables and accruals		248	284	190	28	1,010
Increase in an amount due to Vantage		2,090	115	1,513	2,606	10
Increase in an amount due to the Retained Vantage Group		—	—	—	—	239
Cash generated from/(used in) operations		9,618	133,915	(26,067)	(105,097)	(70,422)
Interest received		96	176	137	49	47
Interest paid		—	(33)	(1,831)	(371)	(230)
Hong Kong profits tax paid		(5,106)	(3,987)	(7,471)	(1,243)	—
Net cash flows from/(used in) operating activities		4,608	130,071	(35,232)	(106,662)	(70,605)

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	Notes	Year ended 31 March			Four-month period ended 31 July	
		2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Unaudited)	2013 HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Addition of items of property, plant and equipment	16	(377)	(116)	(17)	—	(20)
Proceeds from disposal of items of property, plant and equipment		—	48	—	—	165
Increase in an amount due from the Retained Vantage Group		—	(239,957)	(399,974)	(230,472)	(110,338)
Repayment of an amount due from the Retained Vantage Group		—	166,790	327,201	195,508	221,146
Repayment of a loan from the Retained Vantage Group		—	—	27,000	27,000	—
Net cash flows from/(used in) investing activities		<u>(377)</u>	<u>(73,235)</u>	<u>(45,790)</u>	<u>(7,964)</u>	<u>110,953</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
New interest-bearing bank loans		—	18,736	329,553	84,433	2,369
Repayment of interest-bearing bank loans		—	—	(269,653)	(34,812)	(81,005)
Net cash flows from/(used in) financing activities		<u>—</u>	<u>18,736</u>	<u>59,900</u>	<u>49,621</u>	<u>(78,636)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS						
Cash and cash equivalents at beginning of year/period		<u>4,231</u>	<u>75,572</u>	<u>(21,122)</u>	<u>(65,005)</u>	<u>(38,288)</u>
Cash and cash equivalents at beginning of year/period		<u>71,144</u>	<u>75,375</u>	<u>150,947</u>	<u>150,947</u>	<u>129,825</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		<u><u>75,375</u></u>	<u><u>150,947</u></u>	<u><u>129,825</u></u>	<u><u>85,942</u></u>	<u><u>91,537</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	23	20,856	129,799	104,755	64,755	61,429
Non-pledged time deposits with original maturity of less than three months when acquired	23	53,444	20,073	25,070	20,111	30,108
Time deposit with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	23	<u>1,075</u>	<u>1,075</u>	<u>—</u>	<u>1,076</u>	<u>—</u>
		<u><u>75,375</u></u>	<u><u>150,947</u></u>	<u><u>129,825</u></u>	<u><u>85,942</u></u>	<u><u>91,537</u></u>

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ACCOUNTANTS’ REPORT

(E) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		As at 31 March 2013 <i>HK\$’000</i>	As at 31 July 2013 <i>HK\$’000</i>
	<i>Notes</i>		
NON-CURRENT ASSET			
Investment in a subsidiary		<u>—</u>	<u>—</u>
CURRENT LIABILITY			
Due to a subsidiary	22	<u>(88)</u>	<u>(101)</u>
Net liabilities		<u><u>(88)</u></u>	<u><u>(101)</u></u>
DEFICIENCY IN ASSETS			
Issued capital	28	—	—
Accumulated losses	29(c)	<u>(88)</u>	<u>(101)</u>
Total deficiency in assets		<u><u>(88)</u></u>	<u><u>(101)</u></u>

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ACCOUNTANTS’ REPORT

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1 -1111, Cayman Islands. The principal place of business of the Company is located at No. 155 Waterloo Road, Kowloon Tong, Kowloon, Hong Kong.

The Company is an investment holding company. During the Track Record Period, the Company’s principal subsidiaries were engaged in building construction, maintenance and civil engineering works.

Pursuant to a special resolution dated 9 May 2013, the Company changed its name from Excel Engineering (Holdings) Limited to Excel Development (Holdings) Limited with effect from 10 May 2013.

In the opinion of the Directors, Profit Chain Investments Limited, a company incorporated in the British Virgin Islands (“BVI”), is the immediate holding company of the Company; Vantage International (Holdings) Limited (“Vantage”), a company incorporated in Bermuda and listed on the Main Board of the Stock Exchange, is the intermediate holding company of the Company; and the ultimate holding company of the Company is Winhale Ltd., a company incorporated in the BVI.

The Company and its subsidiaries are hereafter collectively referred to as the “Group”; whereas Vantage and its subsidiaries, but excluding the Group, are collectively referred to as the “Retained Vantage Group”.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History and Development” in the Document.

The Company has undertaken that upon the completion of [•], the Group will focus on civil engineering construction works while building construction and maintenance works will be taken up by the Retained Vantage Group.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Best Trader International Limited (Note (a))	BVI 28 May 2013	US\$1	100	—	Investment holding
Great Jump Enterprises Limited (Note (a))	BVI 6 January 2000	US\$1	—	100	Investment holding
Top Integration Limited (Note (a))	BVI 28 March 2000	US\$10,000	—	100	Investment holding

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Company name	Place and date of incorporation and place of operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Excel Engineering Company Limited (Note (b))	Hong Kong 7 May 1976	HK\$16,000,000	—	100	Building construction, maintenance, and civil engineering works
Gadelly Construction Company Limited (Note (b))	Hong Kong 8 May 1981	HK\$4,200,000	—	100	Construction, maintenance and civil engineering works

Notes:

- (a) No audited financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (b) The statutory financial statements of these entities for the years ended 31 March 2011, 2012 and 2013 prepared under HKFRSs were audited by [•], Hong Kong.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Reorganisation” in the section headed “History and Development” in the Document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Track Record Period on [[•] November 2013]. The companies now comprising the Group were under the common control of the controlling shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a combined basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period and the four-month period ended 31 July 2012 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The combined statements of financial position of the Group as at 31 March 2011, 2012 and 2013 and 31 July 2013 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 April 2013, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Track Record Period and the period covered by the Interim Comparative Information.

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The Financial Information has been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. The Financial Information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Financial Information:

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> ¹
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities</i> ¹
HKAS 36 Amendments	Amendments to HKAS 36 <i>Impairment of Assets — Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
HK(IFRIC) — Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of combination

This Financial Information includes the financial statements of the Company and its subsidiaries now comprising the Group for the Track Record Period. As explained in note 2.1 above, the acquisition of subsidiaries and business under common control has been accounted for using merger accounting.

The merger accounting involves incorporating the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book value from the perspective of Vantage, one of the controlling shareholders of the Company. No amount is recognised in respect of goodwill or the excess of the acquirer’s interest in the fair value of acquirees’ net identifiable assets acquired and, liabilities and contingent liabilities assumed over the cost of investment at the time of common control combination.

The acquisition of subsidiaries other than those under common control has been accounted for using the purchase method of accounting.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Except for the common control combination as mentioned above, the results of subsidiaries are combined from the date of acquisition, being the date on which the Group obtains control, and continue to be combined until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on combination in full.

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Adjustments are made to bring into line any dissimilar accounting policies that may exist.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Subsidiaries

A subsidiary is an entity (including a structured entity) controlled by the Company and/or its other subsidiaries.

The Group controls an investee when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., the existing rights that give the Group the current ability to direct the relevant activities of the investee).

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control described above.

Joint venture

Joint arrangement is classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual arrangements between the parties to the arrangement.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Group’s investment in joint venture is stated in the combined statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group’s share of the post acquisition results and other comprehensive income of a joint venture are included in profit or loss and other comprehensive income, respectively.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, financial assets and investment properties), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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An assessment is made at the end of each of the Track Record Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery and equipment	24%
Furniture, fixtures and office equipment	24%
Motor vehicles	24%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at least at the end of each of the Track Record Period.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of each of the Track Record Period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset and whether the arrangement conveys a right to use the asset.

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs.

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All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group’s financial assets include accounts and other receivables, deposits, amounts due from a joint venture and the Retained Vantage Group, a pledged deposit and cash and cash equivalents.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each of the Track Record Period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include accounts and other payables, accruals of costs for contract works, an amount due to Vantage, an amount due to the Retained Vantage Group and interest-bearing bank loans.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

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Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Track Record Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from construction, renovation and other contracts, based on the percentage of completion basis, as further explained in the accounting policy for “Construction, renovation and other contracts” below;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (c) management fee income is recognised when the management services are rendered.

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Construction, renovation and other contracts

Contract revenue comprises the agreed contract sum and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of sub-contracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price contracts is recognised on the percentage of completion method, measured by reference to the percentage of certified value of work performed to date to the total contract sum of the relevant contracts.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from customers for contract works. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to customers for contract works.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of each of the Track Record Period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of each of the Track Record Period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a Mandatory Provident Fund Exempted Occupational Retirement Schemes Ordinance (“ORSO”) retirement benefit scheme for those employees who are eligible to participate in the ORSO scheme. This scheme operates in a way similar to the MPF Scheme, except that when an employee leaves the scheme prior to his/her interest in the Group’s employee contributions vesting fully, the ongoing contributions payable by the Group are reduced by the relevant amount of forfeited employer’s contributions.

Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on temporary investment of special borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in the connection with the borrowing of funds.

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Dividends

Interim dividends are simultaneously proposed and declared, because Great Jump Enterprises Limited’s memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends are recognised as a liability when they have been approved by the shareholder.

5. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group’s Financial Information requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of each of the Track Record Period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Construction, renovation and other contracts

As further explained in note 4 to the Financial Information, revenue and profit recognition on contract works is dependent on the estimation of the total outcome of the construction contract, as well as the work performed to date. Based on the Group’s past experience and the nature of the contract activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. As a result, until this point is reached, the amount due from customers for contract works as disclosed in note 19 to the Financial Information will not include profit which the Group may eventually realise from the work performed to date. In addition, actual outcomes in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of each of the Track Record Period, which would affect the revenue and profit recognised in future years.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Track Record Period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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Estimation of fair value of investment properties

As disclosed in note 17 to the Financial Information, investment properties are revalued at the end of each of the Track Record Period on the market value, existing use basis by independent professionally qualified valuers. Such valuations were based on certain assumptions and estimates, which are subject to uncertainty and might materially differ from the actual outcomes. In making the judgement for valuation of investment properties on the market value, existing use basis, information from current prices in an active market for similar properties is considered and assumptions that are mainly based on market conditions existing at the end of each of the Track Record Period are used.

6. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is building construction, maintenance and civil engineering works. Since this is the only operating segment of the Group, no further operating segment analysis thereof is presented.

The Group’s revenue from external customers was derived solely from its operations in Hong Kong during the Track Record Period and the four-month period ended 31 July 2012, and the non-current assets of the Group were located in Hong Kong as at 31 March 2011, 2012 and 2013 and 31 July 2013.

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Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue for each of the Track Record Period, is set out below:

	Year ended 31 March			Four-month period ended 31 July	
	2011	2012	2013	2012	2013
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Customer A	224,456	363,172	342,155	111,556	138,043
Customer B	370,664	N/A*	N/A*	N/A*	N/A*
Customer C	N/A*	168,513	509,451	173,672	432,970
Customer D	<u>N/A*</u>	<u>75,770</u>	<u>N/A*</u>	<u>N/A*</u>	<u>N/A*</u>

* Less than 10% of the Group’s revenue

Except for the aforesaid, no revenue from a single external customer accounted for 10% or more of the Group’s revenue. Government bureaus and departments of the Government of the Hong Kong Special Administrative Region (“HKSAR Government”) are considered a single customer.

Information about products and services

	Year ended 31 March			Four-month period ended 31 July	
	2011	2012	2013	2012	2013
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Revenue from external customers:					
Contract works for civil engineering works	302,166	476,902	459,389	144,461	218,873
Contract works for building construction and maintenance	<u>371,002</u>	<u>213,141</u>	<u>524,907</u>	<u>182,258</u>	<u>435,120</u>
	<u>673,168</u>	<u>690,043</u>	<u>984,296</u>	<u>326,719</u>	<u>653,993</u>

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7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group’s turnover, represents the appropriate proportion of contract revenue from construction, renovation and other contracts.

An analysis of revenue, other income and gains is as follows:

	<i>Note</i>	Year ended 31 March			Four-month period ended 31 July	
		2011 <i>HK\$’000</i>	2012 <i>HK\$’000</i>	2013 <i>HK\$’000</i>	2012 <i>HK\$’000</i>	2013 <i>HK\$’000</i>
(Unaudited)						
<u>Revenue</u>						
Contract revenue		<u>673,168</u>	<u>690,043</u>	<u>984,296</u>	<u>326,719</u>	<u>653,993</u>
<u>Other income and gains</u>						
Interest income		96	285	2,056	384	215
Management fee income		2,220	3,105	14,686	5,060	2,458
Government subsidies*		150	—	55	—	17
Gain on disposal of items of property, plant and equipment		—	9	—	—	151
Gain on changes in fair value of investment properties	17	140	60	40	—	—
Sundry income		<u>—</u>	<u>148</u>	<u>136</u>	<u>40</u>	<u>442</u>
		<u>2,606</u>	<u>3,607</u>	<u>16,973</u>	<u>5,484</u>	<u>3,283</u>

* Subsidies have been received from the Hong Kong Vocational Training Council and the Construction Industry Council, institutions established by the HKSAR Government, for providing on-the-job training for graduate engineers and trainers, respectively. There are no unfulfilled conditions or contingencies relating to these subsidies.

8. FINANCE COSTS

	Year ended 31 March			Four-month period ended 31 July	
	2011 <i>HK\$’000</i>	2012 <i>HK\$’000</i>	2013 <i>HK\$’000</i>	2012 <i>HK\$’000</i>	2013 <i>HK\$’000</i>
(Unaudited)					
Interest on bank loans and overdrafts					
— wholly repayable within five years	<u>—</u>	<u>33</u>	<u>1,865</u>	<u>337</u>	<u>196</u>

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9. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging:

	Note	Year ended 31 March			Four-month period ended 31 July	
		2011 HK\$’000	2012 HK\$’000	2013 HK\$’000	2012 HK\$’000	2013 HK\$’000
					(Unaudited)	
Depreciation	16	1,095	871	596	220	161
Auditors’ remuneration		220	250	268	—	—
Employee benefits expense (exclusive of directors’ remuneration — note 10):						
Wages and salaries		30,167	35,360	37,805	16,147	11,303
Pension scheme contributions (defined contribution schemes)		<u>1,200</u>	<u>1,310</u>	<u>1,449</u>	<u>703</u>	<u>445</u>
		<u>31,367</u>	<u>36,670</u>	<u>39,254</u>	<u>16,850</u>	<u>11,748</u>
Minimum lease payments under operating leases:						
Land and buildings		3,034	2,538	2,160	729	838
Equipment		<u>118</u>	<u>235</u>	<u>222</u>	<u>101</u>	<u>96</u>
		<u>3,152</u>	<u>2,773</u>	<u>2,382</u>	<u>830</u>	<u>934</u>

10. DIRECTORS’ REMUNERATION

Directors’ remuneration for the Track Record Period, disclosed pursuant to the [•] and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Year ended 31 March			Four-month period ended 31 July	
	2011 HK\$’000	2012 HK\$’000	2013 HK\$’000	2012 HK\$’000	2013 HK\$’000
				(Unaudited)	
Fees	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Other emoluments:					
Salaries, allowances and benefits in kind	2,374	2,528	2,954	896	1,004
Discretionary performance-related bonuses	1,160	2,432	2,588	592	1,759
Pension scheme contributions (defined contribution schemes)	<u>109</u>	<u>112</u>	<u>120</u>	<u>40</u>	<u>40</u>
	<u>3,643</u>	<u>5,072</u>	<u>5,662</u>	<u>1,528</u>	<u>2,803</u>
	<u>3,643</u>	<u>5,072</u>	<u>5,662</u>	<u>1,528</u>	<u>2,803</u>

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(a) Independent non-executive directors

The Group did not have any independent non-executive directors at any time during the Track Record Period and the four-month period ended 31 July 2012.

Subsequent to the end of the Track Record Period, three directors were appointed as independent non-executive directors of the Company on [[•] November 2013].

(b) Executive directors and a non-executive director

	Fees <i>HK\$ '000</i>	Salaries, allowances and benefits in kind <i>HK\$ '000</i>	Discretionary performance- related bonuses <i>HK\$ '000</i>	Pension scheme contributions <i>HK\$ '000</i>	Total remuneration <i>HK\$ '000</i>
Year ended 31 March 2011					
Executive directors					
Mr. Li Chi Pong (chief executive officer)	—	1,323	728	61	2,112
Mr. Poon Yan Min	—	1,051	432	48	1,531
	—	2,374	1,160	109	3,643
Non-executive director					
Mr. Yau Kwok Fai	—	—	—	—	—
	—	2,374	1,160	109	3,643
Year ended 31 March 2012					
Executive directors					
Mr. Li Chi Pong (chief executive officer)	—	1,386	1,898	60	3,344
Mr. Poon Yan Min	—	1,142	534	52	1,728
	—	2,528	2,432	112	5,072
Non-executive director					
Mr. Yau Kwok Fai	—	—	—	—	—
	—	2,528	2,432	112	5,072
Year ended 31 March 2013					
Executive directors					
Mr. Li Chi Pong (chief executive officer)	—	1,653	1,996	60	3,709
Mr. Poon Yan Min	—	1,301	592	60	1,953
	—	2,954	2,588	120	5,662
Non-executive director					
Mr. Yau Kwok Fai	—	—	—	—	—
	—	2,954	2,588	120	5,662

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	Fees <i>HK\$ '000</i>	Salaries, allowances and benefits in kind <i>HK\$ '000</i>	Discretionary performance- related bonuses <i>HK\$ '000</i>	Pension scheme contributions <i>HK\$ '000</i>	Total remuneration <i>HK\$ '000</i>
Four-month period ended					
31 July 2012 (unaudited)					
Executive directors					
Mr. Li Chi Pong (chief executive officer)	—	504	—	20	524
Mr. Poon Yan Min	—	392	592	20	1,004
	—	896	592	40	1,528
Non-executive director					
Mr. Yau Kwok Fai	—	—	—	—	—
	—	896	592	40	1,528
Four-month period ended					
31 July 2013					
Executive directors					
Mr. Li Chi Pong (chief executive officer)	—	564	1,098	20	1,682
Mr. Poon Yan Min	—	440	661	20	1,121
	—	1,004	1,759	40	2,803
Non-executive director					
Mr. Yau Kwok Fai	—	—	—	—	—
	—	1,004	1,759	40	2,803

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period and the four-month period ended 31 July 2012.

During the Track Record Period and the four-month period ended 31 July 2012, no remuneration was paid by the Group any of the Directors as an inducement to join or upon joining the Group as compensation for loss of office.

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11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Track Record Period included two directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three non-director, highest paid employees for the Track Record Period and the four-month period ended 31 July 2012 are as follows:

	Year ended 31 March			Four-month period ended 31 July	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Unaudited)	2013 HK\$'000
Salaries, allowances and benefits in kind	2,126	2,870	3,215	1,007	918
Discretionary performance-related bonuses	164	159	185	—	—
Pension scheme contributions	36	42	51	17	18
	<u>2,326</u>	<u>3,071</u>	<u>3,451</u>	<u>1,024</u>	<u>936</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 March			Four-month period ended 31 July	
	2011	2012	2013	2012	2013
Nil to HK\$1,000,000	3	1	1	3	3
HK\$1,000,001 to HK\$1,500,000	—	2	2	—	—
	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

During the Track Record Period and the four-month period ended 31 July 2012, no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI. Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong for each of the Track Record Period and the four-month period ended 31 July 2012.

	Year ended 31 March			Four-month period ended 31 July	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Unaudited)	2013 HK\$'000
Current — Hong Kong					
Charge for the year	4,980	5,615	7,971	1,931	3,513
Underprovision/(overprovision) in prior years	8	—	(23)	—	—
Deferred (note 27)	(90)	(93)	(73)	(27)	5
Total tax charge for the year	<u>4,898</u>	<u>5,522</u>	<u>7,875</u>	<u>1,904</u>	<u>3,518</u>

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A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 March			Four-month period ended 31 July	
	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Unaudited)	2013 HK\$'000
Profit before tax	<u>29,860</u>	<u>33,692</u>	<u>47,941</u>	<u>11,665</u>	<u>16,221</u>
Tax at the Hong Kong statutory tax rate of 16.5%	4,927	5,559	7,910	1,925	2,676
Adjustments in respect of current tax of previous periods	8	—	(23)	—	—
Income not subject to tax	(39)	(39)	(29)	(23)	(6)
Expenses not deductible for tax	<u>2</u>	<u>2</u>	<u>17</u>	<u>2</u>	<u>848</u>
Tax charge at the Group’s effective tax rate	<u>4,898</u>	<u>5,522</u>	<u>7,875</u>	<u>1,904</u>	<u>3,518</u>

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The combined profit attributable to owners of the parent for the year ended 31 March 2013, the four-month periods ended 31 July 2012 and 2013 included losses of HK\$88,000, nil and HK\$13,000, respectively, which have been dealt with in the Financial Information of the Company.

14. DIVIDEND

No dividend has been paid or declared by the Company since its incorporation.

15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period and the four-month period ended 31 July 2012 on a combined basis as disclosed in note 2.1 above.

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16. PROPERTY, PLANT AND EQUIPMENT

Group

	Machinery and equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
31 March 2011				
At 1 April 2010:				
Cost	1,455	471	3,490	5,416
Accumulated depreciation	(1,344)	(290)	(1,327)	(2,961)
Net carrying amount	<u>111</u>	<u>181</u>	<u>2,163</u>	<u>2,455</u>
At 1 April 2010,				
net of accumulated depreciation	111	181	2,163	2,455
Additions	—	95	282	377
Depreciation provided during the year	(111)	(98)	(886)	(1,095)
At 31 March 2011,				
net of accumulated depreciation	<u>—</u>	<u>178</u>	<u>1,559</u>	<u>1,737</u>
At 31 March 2011:				
Cost	1,455	566	3,772	5,793
Accumulated depreciation	(1,455)	(388)	(2,213)	(4,056)
Net carrying amount	<u>—</u>	<u>178</u>	<u>1,559</u>	<u>1,737</u>
31 March 2012				
At 1 April 2011:				
Cost	1,455	566	3,772	5,793
Accumulated depreciation	(1,455)	(388)	(2,213)	(4,056)
Net carrying amount	<u>—</u>	<u>178</u>	<u>1,559</u>	<u>1,737</u>
At 1 April 2011,				
net of accumulated depreciation	—	178	1,559	1,737
Additions	—	111	5	116
Depreciation provided during the year	—	(71)	(800)	(871)
Disposals	—	—	(39)	(39)
At 31 March 2012,				
net of accumulated depreciation	<u>—</u>	<u>218</u>	<u>725</u>	<u>943</u>
At 31 March 2012:				
Cost	1,308	677	3,532	5,517
Accumulated depreciation	(1,308)	(459)	(2,807)	(4,574)
Net carrying amount	<u>—</u>	<u>218</u>	<u>725</u>	<u>943</u>

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	Machinery and equipment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
31 March 2013				
At 1 April 2012:				
Cost	1,308	677	3,532	5,517
Accumulated depreciation	(1,308)	(459)	(2,807)	(4,574)
Net carrying amount	<u>—</u>	<u>218</u>	<u>725</u>	<u>943</u>
At 1 April 2012,				
net of accumulated depreciation	—	218	725	943
Additions	—	17	—	17
Depreciation provided during the year	—	(90)	(506)	(596)
At 31 March 2013,				
net of accumulated depreciation	<u>—</u>	<u>145</u>	<u>219</u>	<u>364</u>
At 31 March 2013:				
Cost	1,308	694	3,532	5,534
Accumulated depreciation	(1,308)	(549)	(3,313)	(5,170)
Net carrying amount	<u>—</u>	<u>145</u>	<u>219</u>	<u>364</u>
31 July 2013				
At 1 April 2013:				
Cost	1,308	694	3,532	5,534
Accumulated depreciation	(1,308)	(549)	(3,313)	(5,170)
Net carrying amount	<u>—</u>	<u>145</u>	<u>219</u>	<u>364</u>
At 1 April 2013, net of accumulated				
depreciation	—	145	219	364
Additions	—	—	20	20
Disposals	—	—	(14)	(14)
Depreciation provided during the period	—	(30)	(131)	(161)
At 31 July 2013, net of accumulated				
depreciation	<u>—</u>	<u>115</u>	<u>94</u>	<u>209</u>
At 31 July 2013:				
Cost	1,308	694	2,618	4,620
Accumulated depreciation	(1,308)	(579)	(2,524)	(4,411)
Net carrying amount	<u>—</u>	<u>115</u>	<u>94</u>	<u>209</u>

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17. INVESTMENT PROPERTIES

Group

	<i>Note</i>	As at 31 March			As at
		2011	2012	2013	31 July
		HK\$’000	HK\$’000	HK\$’000	2013
					HK\$’000
Carrying amount at beginning of year/period		360	500	560	600
Gain on fair value changes	7	<u>140</u>	<u>60</u>	<u>40</u>	<u>—</u>
Carrying amount at end of year/period		<u>500</u>	<u>560</u>	<u>600</u>	<u>600</u>

The Group’s investment properties are situated in Hong Kong and are held under long term leases.

The Group’s investment properties were revalued on 31 March 2011, 2012 and 2013 and 31 July 2013 by DTZ Debenham Tie Leung Limited, independent professionally qualified valuers, at HK\$500,000, HK\$560,000 and HK\$600,000 and HK\$600,000, respectively, on the market value, existing use basis.

The fair values of the Group’s investment properties at 31 March 2011, 2012 and 2013 and 31 July 2013 were measured using direct comparison method based on market observable transactions of similar properties and were adjusted to reflect the conditions and locations of the subject properties and hence were classified as level 2 of the fair value hierarchy.

Level 2 inputs are defined as inputs other than unadjusted quoted prices in active markets for identical assets or liabilities that are observable for the asset or liability, either directly or indirectly.

18. INTEREST IN A JOINT VENTURE

The amount due from a joint venture included in the Group’s current assets is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the joint venture are as follows:

Name	Business structure	Place of registration and operation	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Excel-China Harbour Joint Venture	Body unincorporate	Hong Kong	70	50	70	Engineering works contractor

The above investment in a joint venture is indirectly held by the Company.

The Group has not shared any profit and other comprehensive income of its joint venture during the Track Record Period and the four-month period ended 31 July 2012 since the joint venture was at breakeven during the Track Record Period and the four-month period ended 31 July 2012.

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19. CONSTRUCTION, RENOVATION AND OTHER CONTRACTS

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
				HK\$’000
Gross amount due from customers for contract works	4,461	37,318	85,557	85,714
Contract costs incurred plus recognised profits less recognised losses to date	784,603	1,424,704	2,612,385	3,257,188
Less: Progress billings	(780,142)	(1,387,386)	(2,526,828)	(3,171,474)
	<u>4,461</u>	<u>37,318</u>	<u>85,557</u>	<u>85,714</u>

20. ACCOUNTS RECEIVABLE

Accounts receivable represented receivables for contract works. The payment terms of contract work receivables are stipulated in the relevant contracts. The credit period is generally one month. The carrying amounts of accounts receivable approximate to their fair values.

At 31 March 2011, 2012 and 2013 and 31 July 2013, retentions receivable included in accounts receivable amounted to HK\$48,804,000, HK\$54,330,000 and HK\$95,028,000 and HK\$113,356,000, respectively, which are repayable on terms ranging from two to three years.

The ageing analysis of the accounts receivable that are not individually nor collectively considered to be impaired is as follows:

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
				HK\$’000
Past due but not impaired:				
One to three months past due	1,546	2,149	3,741	7,680
Four to six months past due	34	83	40	28
Over six months past due	56	365	—	55
	1,636	2,597	3,781	7,763
Neither past due nor impaired	88,334	124,186	223,396	279,450
	<u>89,970</u>	<u>126,783</u>	<u>227,177</u>	<u>287,213</u>

Accounts receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancement over these balances.

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Accounts receivable that are neither past due nor impaired relate to a number of independent customers for whom there was no recent history of default.

As at 31 March 2012 and 2013 and 31 July 2013, the aggregate amounts of accounts receivable pledged to secure the Group’s banking facilities amounted to HK\$36,144,000 and HK\$138,702,000 and HK\$197,298,000, respectively.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
Prepayments	7,823	5,800	3,834	2,546
Deposits and other receivables	13,944	16,865	34,206	25,689
Due from the Retained Vantage Group (<i>note</i>)	27,000	73,276	147,968	37,328
Loan to the Retained Vantage Group (<i>note</i>)	—	27,000	—	—
	<u>48,767</u>	<u>122,941</u>	<u>186,008</u>	<u>65,563</u>

Note: As at 31 March 2011, 2012 and 2013 and 31 July 2013, the amounts were unsecured, interest-free and have no fixed terms of repayment, except for a loan to the Retained Vantage Group as at 31 March 2012 of HK\$27,000,000 which borne interest at a rate with reference to HIBOR per annum.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

22. BALANCE WITH A SUBSIDIARY

As at 31 March 2013 and 31 July 2013, the Company’s balance with a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

23. PLEDGED DEPOSIT AND CASH AND CASH EQUIVALENTS

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
Pledged time deposit against bank overdraft facilities	<u>1,075</u>	<u>1,075</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents:				
Cash and bank balances	20,856	129,799	104,755	61,429
Non-pledged time deposits	<u>53,444</u>	<u>20,073</u>	<u>25,070</u>	<u>30,108</u>
	<u>74,300</u>	<u>149,872</u>	<u>129,825</u>	<u>91,537</u>

The time deposit pledged to a bank was to secure bank overdraft facilities granted to the Group (note 26).

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Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with banks with high credit ratings and no recent history of default.

24. ACCOUNTS PAYABLE

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
Due to third parties	31,753	119,830	134,745	126,705
Due to the Retained Vantage Group (<i>note</i>)	<u>38,425</u>	<u>118,276</u>	<u>207,942</u>	<u>180,887</u>
	<u>70,178</u>	<u>238,106</u>	<u>342,687</u>	<u>307,592</u>

Note: As at 31 March 2011, 2012 and 2013 and 31 July 2013, the amounts were unsecured, interest-free and have no fixed terms of repayment.

An ageing analysis of the accounts payable as at the end of each of the Track Record Period, based on the invoice date, is as follows:

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
Current to 3 months	68,939	236,764	331,451	306,027
4 to 6 months	6	1,036	10,802	392
Over 6 months	<u>1,233</u>	<u>306</u>	<u>434</u>	<u>1,173</u>
	<u>70,178</u>	<u>238,106</u>	<u>342,687</u>	<u>307,592</u>

At 31 March 2011, 2012 and 2013 and 31 July 2013, retentions payable included in accounts payable amounted to HK\$39,798,000, HK\$50,857,000 and HK\$111,775,000 and HK\$116,190,000, respectively, which are normally settled on terms ranging from two to three years. The carrying amounts of accounts payable approximate to their fair values.

Accounts payable are non-interest-bearing and are normally settled on terms ranging from 7 to 30 days. The payment terms are stipulated in the relevant contracts.

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25. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
				HK\$’000
Other payables	237	267	302	1,278
Accruals	1,522	1,776	1,965	1,965
Due to Vantage (<i>note</i>)	52,104	52,219	53,732	53,742
Due to the Retained Vantage Group (<i>note</i>)	—	—	—	239
	<u>53,863</u>	<u>54,262</u>	<u>55,999</u>	<u>57,224</u>

Note: As at 31 March 2011, 2012 and 2013 and 31 July 2013, the amounts were unsecured, interest-free and have no fixed terms of repayment.

Other payables are non-interest-bearing and are expected to be settled within one year.

26. INTEREST-BEARING BANK LOANS

Interest-bearing bank loans of the Group are repayable on demand and are analysed as follows:

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
				HK\$’000
Interest-bearing bank loans — secured and at a floating interest rate	—	18,736	78,636	—

Notes:

- As at 31 March 2012 and 2013, Vantage has guaranteed the Group’s interest-bearing bank loans and certain general banking facilities up to HK\$140,000,000 and HK\$181,000,000, respectively.
- As at 31 March 2012 and 2013, the Group’s interest-bearing bank loans and certain general banking facilities are secured by the accounts receivable with an aggregate carrying amount of HK\$36,144,000 and HK\$138,702,000, respectively.
- As at 31 March 2011 and 2012, the Group’s bank overdraft facilities are secured by the assignment of the Group’s time deposit with an aggregate carrying amount of HK\$1,075,000 and HK\$1,075,000, respectively.
- The interest-bearing bank loans are denominated in Hong Kong dollars.
- The interest rates of the Group’s interest-bearing bank loans are primarily repriced every month based on the changes of HIBOR.
- In the opinion of the Directors, the carrying amounts of the Group’s interest-bearing bank loans approximate to their fair values.

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27. DEFERRED TAX LIABILITIES

The movements of deferred tax liabilities during the Track Record Period are as follows:

Group

	Depreciation allowance in excess of related depreciation HK\$’000
At 1 April 2010	269
Deferred tax credited to profit or loss during the year (<i>note 12</i>)	<u>(90)</u>
At 31 March 2011 and 1 April 2011	179
Deferred tax credited to profit or loss during the year (<i>note 12</i>)	<u>(93)</u>
At 31 March 2012 and 1 April 2012	86
Deferred tax credited to profit or loss during the year (<i>note 12</i>)	<u>(73)</u>
At 31 March 2013 and 1 April 2013	13
Deferred tax charged to profit or loss during the period (<i>note 12</i>)	<u>5</u>
At 31 July 2013	<u><u>18</u></u>

At 31 March 2011, 2012 and 2013 and 31 July 2013, there was no significant unrecognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group’s subsidiaries or a joint venture as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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28. ISSUED CAPITAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 30 April 2012 with initial authorised share capital of HK\$[•] divided into [•] shares of a par value of HK\$[•] each. On the date of incorporation, [•] ordinary share of HK\$[•] was allotted and issued by the Company to its then shareholder.

On [[•] November 2013], an ordinary resolution of the Company was passed pursuant to which (a) the authorised share capital of the Company was increased from HK\$[•] to HK\$[•] by the creation of [•] additional shares of HK\$[•] each, ranking pari passu in all respects with existing shares of the Company; and (b) the allotment of [•] ordinary shares of [•] each to Profit Chain Investments Limited, a subsidiary of the Retained Vantage Group as a result of the Reorganisation.

29. RESERVES

(a) Group

The amounts of the Group’s reserves and the movements therein for each of the Track Record Period and the four-month period ended 31 July 2012 are presented in the combined statements of changes in equity.

(b) Merger reserve

Merger reserve represents the reserve that arose pursuant to the Reorganisation as detailed in note 2.1 above.

(c) Company

	Accumulated losses HK\$’000
At 30 April 2012 (the date of incorporation)	—
Loss and total comprehensive loss for the period	<u>(88)</u>
At 31 March 2013 and at 1 April 2013	(88)
Loss and total comprehensive loss for the period	<u>(13)</u>
At 31 July 2013	<u><u>(101)</u></u>

30. CONTINGENT LIABILITIES

- (a) At 31 March 2011, 2012 and 2013 and 31 July 2013, the guarantees given by the Group to certain banks in respect of performance bonds in favour of certain contract customers amounted to HK\$17,923,000, HK\$15,206,000 and HK\$37,775,000 and HK\$37,775,000, respectively.
- (b) In the ordinary course of the Group’s construction business, the Group has been subject to a number of claims due to personal injuries suffered by employees of the Group or the Group’s sub-contractors in accidents arising out of and in the course of their employment. The Directors are of the opinion that such claims are well covered by insurance and would not result in any material adverse impact on the financial position or results and operations of the Group.

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31. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years.

At the end of each of the Track Record Period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
Within one year	2,419	3,076	4,600	6,194
In the second to fifth years, inclusive	474	2,946	1,521	6,338
	<u>2,893</u>	<u>6,022</u>	<u>6,121</u>	<u>12,532</u>

32. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in the Financial Information, the Group had the following transactions with related parties during the Track Record Period and the four-month period ended 31 July 2012:

	Year ended 31 March			Four-month period	
	2011	2012	2013	2012	2013
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Recurring:					
Sub-contracting fee to the Retained Vantage Group	378,478	212,339	518,803	180,168	428,640
Management fee income and staff cost reimbursement from the Retained Vantage Group	—	2,855	14,026	5,060	2,458
Rental expense to the Retained Vantage Group	—	—	—	—	207
Non-recurring:					
Corporate guarantee in respect of the Group’s banking facilities provided by Vantage	61,000	201,000	242,000	201,000	242,000
Management fee to Vantage	6,181	6,286	7,790	2,596	—
Management fee income from a joint venture	2,220	250	660	—	—
Interest income from the Retained Vantage Group	—	109	1,919	337	168

The transactions were conducted on terms and conditions mutually agreed between the relevant parties. The Directors are of the opinion that these related party transactions were conducted in the ordinary course of business of the Group.

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(b) Other non-recurring transactions with related parties

- (i) During the year ended 31 March 2013 and the four-month period ended 31 July 2013, Vantage had given performance guarantees in favour of a customer for a civil engineering contract work (the “Contract Customer”) of the Group in respect of losses, claims, damages, costs and expenses caused by non-compliance with the terms and conditions of the construction contract entered into between Vantage, the Group and the Contract Customer.
- (ii) As at 31 March 2011, 2012 and 2013 and 31 July 2013, certain properties of the Retained Vantage Group with an aggregate carrying amount of approximately HK\$469,205,000, HK\$504,932,000 and HK\$243,659,000 and HK\$243,659,000, respectively, were pledged to secure certain banking facilities granted to the Group.

(c) Outstanding balances with related parties

Other than the balances with a subsidiary, a joint venture, the Retained Vantage Group and Vantage as disclosed in notes 18, 21, 22, 24 and 25 to the Financial Information, the Company and the Group had no outstanding balances with related parties as at the end of each of the Track Record Period.

(d) Compensation of key management personnel of the Group

Further details of Directors’ remuneration are included in note 10 to the Financial Information.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments include interest-bearing bank loans, accounts and other receivables, deposits, amounts due from a joint venture, balances with the Retained Vantage Group, accounts and other payables, accruals of costs for contract works, an amount due to Vantage, a pledged deposit and cash and cash equivalents. Details of these financial instruments are disclosed in the respective notes to the Financial Information.

The Group’s ordinary activities expose it to various financial risks, including interest rate risk, credit risk and liquidity risk. The risks associated with financial instruments and the policies on how to mitigate these risks are described below. Management monitors closely the Group’s exposures to financial risks to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s debt obligations with floating interest rates.

At 31 March 2011, 2012 and 2013 and 31 July 2013, it is estimated that an increase/decrease of 25 basis points in interest rates, with all other variables held constant, would decrease/increase the Group’s profit after tax and retained profits by nil, HK\$39,000, HK\$164,000 and nil, respectively, arising as a result of higher/lower interest expense on the Group’s floating-rate borrowings. There would be no impact on other components of the Group’s equity.

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The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each of the Track Record Period. For the purposes of the analysis, it is assumed that the amount of variable-rate borrowings outstanding at the end of each of the Track Record Period was outstanding throughout the whole year. The 25 basis point increase or decrease represents management assessment of a reasonably possible change in interest rates over the period until the reporting date of the next financial year.

Credit risk

The Group’s credit risk is primarily attributable to bank balances, a time deposits and accounts and other receivables. The Group’s maximum credit risk exposure at 31 March 2011, 2012 and 2013 and 31 July 2013 in the event of other parties failing to perform their obligations is represented by the carrying amount of each financial asset as stated in the combined statements of financial position.

Management monitors the creditworthiness and payment patterns of each debtor closely and on an ongoing basis. The Group’s accounts receivable from contract works represent interim payments or retentions certified by the customers under terms as stipulated in the contracts and the Group does not hold any collateral over these receivables. As the Group’s customers in respect of contract works primarily consist of government departments and developers or owners with strong financial backgrounds, management considers that the risk of irrecoverable receivables from contract works is not significant.

At 31 March 2011, 2012 and 2013 and 31 July 2013, the Group had certain concentrations of credit risk as 41%, 43%, 60% and 63% of the total accounts receivable were due from the Group’s largest external customer and 95%, 95%, 98% and 99% of the total accounts receivable were due from the Group’s five largest external customers, respectively.

Further quantitative data in respect of the Group’s exposure to credit risk arising from accounts and other receivables are disclosed in notes 20 and 21, respectively, to the Financial Information.

Liquidity risk

The Group’s policy is to monitor regularly the current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. In addition, banking facilities have been put in place for contingency purposes.

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The following table details the remaining contractual maturities at the end of each of the Track Record Period of the Group’s financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates as at the end of each of the Track Record Period) and the earliest date that the Group could be required to repay:

Group

	Within 1 year or on demand	Between 1 and 2 years	Between 2 and 5 years	Total
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
As at 31 March 2011				
Accounts payable	62,314	6,360	1,504	70,178
Accruals of costs for contract works	21,075	—	—	21,075
Other payables (<i>note 25</i>)	237	—	—	237
Due to Vantage (<i>note 25</i>)	52,104	—	—	52,104
	<u>135,730</u>	<u>6,360</u>	<u>1,504</u>	<u>143,594</u>
As at 31 March 2012				
Accounts payable	201,436	7,295	29,375	238,106
Accruals of costs for contract works	22,039	—	—	22,039
Other payables (<i>note 25</i>)	267	—	—	267
Interest-bearing bank loans	18,846	—	—	18,846
Due to Vantage (<i>note 25</i>)	52,219	—	—	52,219
	<u>294,807</u>	<u>7,295</u>	<u>29,375</u>	<u>331,477</u>
As at 31 March 2013				
Accounts payable	248,225	71,171	23,291	342,687
Accruals of costs for contract works	5,390	—	—	5,390
Other payables (<i>note 25</i>)	302	—	—	302
Interest-bearing bank loans	78,797	—	—	78,797
Due to Vantage (<i>note 25</i>)	53,732	—	—	53,732
	<u>386,446</u>	<u>71,171</u>	<u>23,291</u>	<u>480,908</u>
As at 31 July 2013				
Accounts payable	198,374	105,256	3,962	307,592
Accruals of costs for contract works	2,980	—	—	2,980
Other payables (<i>note 25</i>)	1,278	—	—	1,278
Due to Vantage (<i>note 25</i>)	53,742	—	—	53,742
Due to the Retained Vantage Group (<i>note 25</i>)	239	—	—	239
	<u>256,613</u>	<u>105,256</u>	<u>3,962</u>	<u>365,831</u>

Capital management

The primary objective of the Group’s capital management policy is to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

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The Directors review the capital structure on a periodical basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital and will balance the Group’s overall capital structure through new share issues as well as raising new debts or repayment of existing debts.

The Group monitors capital using a gearing ratio, which is net cash and bank balances divided by the total capital. Net cash and bank balances are calculated as the total of interest-bearing bank loans less cash and cash equivalents and a pledged time deposit. Total capital refers to equity attributable to owners of the parent. The gearing ratios as at the end of each of the Track Record Period were as follows:

Group

	As at 31 March			As at
	2011	2012	2013	31 July
	HK\$’000	HK\$’000	HK\$’000	2013
				HK\$’000
Interest-bearing bank loans	—	18,736	78,636	—
Less: Cash and cash equivalents	(74,300)	(149,872)	(129,825)	(91,537)
Pledged time deposit	<u>(1,075)</u>	<u>(1,075)</u>	<u>—</u>	<u>—</u>
Net cash and bank balances	<u>(75,375)</u>	<u>(132,211)</u>	<u>(51,189)</u>	<u>(91,537)</u>
Equity attributable to owners of the parent	<u>76,213</u>	<u>104,383</u>	<u>144,449</u>	<u>157,152</u>
Gearing ratio (%)	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>

III. EVENTS AFTER THE REPORTING PERIOD

- (a) On [•] November 2013 and before the completion of the Reorganisation, Great Jump Enterprises Limited, a subsidiary of the Group, declared a special dividend of HK\$60,000,000 to Profit Chain Investments Limited, its then shareholder and a subsidiary of the Retained Vantage Group. Such dividend was not accounted for in the Financial Information during the Track Record Period. Such dividend will be paid before the [•] of the shares of the Company on the [•] in December 2013.
- (b) On [•] November 2013, the companies now comprising the Group completed the Reorganisation in preparation for the [•] of the Company’s shares on the [•]. Further details of the Reorganisation are set out in the section headed “History and Development” in the Document.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 31 July 2013.

Yours faithfully,
[•]
Certified Public Accountants
Hong Kong

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**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 30 April 2012 under the Companies Law. The Memorandum of Association and the Articles of Association comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•] with effect from [•]. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of our Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may from time to time determine.

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Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of our Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which our Director is contractually entitled) must be approved by our Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with our Company or any of its subsidiaries.

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director

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may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

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A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which our Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where our Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;
- (dd) any contract or arrangement in which our Director or his associate(s) is/ are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of our Directors shall from time to time be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors shall also be entitled to be prepaid or repaid all travelling, hotel and

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incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company’s monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex employees of our Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire in every year will be those who have been

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longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

Our Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to our Company at the registered office of our Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the board may determine and the board may revoke or

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terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of our Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

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(c) Alteration of capital

Our Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of

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the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of our Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear business days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of our Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Law or necessary to give a true and fair view of our Company’s affairs and to explain its transactions.

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The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the board or our Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors’ report and a copy of the auditors’ report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), our Company may send to such persons summarised financial statements derived from our Company’s annual accounts and the directors’ report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company’s annual financial statement and the directors’ report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in

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the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of our Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to the auditors for the time being of our Company.

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of our Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of our Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or

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by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which our Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as our Directors may from time to time require is paid to our Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of our Company to own shares in our Company and financial assistance to purchase shares of our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, our Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in our Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

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Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. Our Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or our Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(n) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled

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to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money’s worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days’ notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if our Company shall be wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the

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excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if our Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, our Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, our Company has not during that time received any indication of the existence of the member; and (iii) our Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds, it shall become indebted to the former member of our Company for an amount equal to such net proceeds.

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(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, our Company’s operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in our Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of Shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any

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issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company’s articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company’s assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company’s memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company’s memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

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(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company’s affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company’s capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company’s memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company’s affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 15 May 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

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(m) Inspection of corporate records

Members of our Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in our Company’s Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company’s principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done

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by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members’ voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company’s affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator’s duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company’s liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company’s articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

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(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company’s articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman (Cayman) Limited, our Company’s special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 30 April 2012. Our Company has established a place of business in Hong Kong at No. 155, Waterloo Road, Kowloon Tong, Kowloon, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 29 August 2013. Mr. Li Chi Pong and Mr. Liu Shiu Yuen have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution, which comprises the Memorandum of Association and Articles of Association. A summary of certain provisions of constitution of our Company and relevant aspects of the Companies Law is set out in Appendix III to this document.

2. Change in share capital

The authorised share capital of our Company as of the date of its incorporation was HK\$[•] divided into [•] shares of HK\$[•] each. The following sets out the changes in our Company’s share capital since the date of incorporation:

- (a) On 30 April 2012, one Share was issued nil paid to the subscriber and transferred on the same day to Profit Chain.
- (b) Pursuant to the resolutions in writing of the sole shareholder of our Company passed on [[•] November 2013], the authorised share capital of our Company was increased from HK\$[•] divided into [•] Shares of HK\$[•] each to HK\$[•] divided into [•] Shares by the creation of an additional [•] Shares.
- (c) On [[•] November 2013], our Company acquired Great Jump and Top Integration from Profit Chain and in consideration therefor, our Company credited as fully paid the nil paid subscriber share transferred to Profit Chain and issued and allotted [•] new shares at par credited as fully paid to Profit Chain.

Immediately following completion of the [•] and the Capitalisation Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the [•], the issued share capital of our Company will be HK\$[•] divided into [•] Shares.

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Save for the aforesaid and as mentioned in the paragraph headed “Written resolutions of our sole Shareholder” below, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our sole Shareholder

Pursuant to the written resolutions passed by the sole shareholder of our Company on [[•] November 2013]:

- (a) we approved and adopted the memorandum with immediate effect and conditionally adopted the Articles of Association with effect from [•];
- (b) the authorised share capital of our Company was increased from HK\$[•] to HK\$[•] by the creation of an additional [•] Shares;
- (c) [•]
- (d) [•]
- (e) [•]
- (f) [•]

Each of the general mandates referred to in paragraphs (d) and (e) above will remain in effect until whichever is the earliest of: (1) the conclusion of the next annual general meeting of our Company, (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (3) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting (the “**Relevant Period**”).

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the [•] of the Shares on the [•]. The Reorganisation involved the following:

- (a) On 30 April 2012, our Company was incorporated in the Cayman Islands and one Share of HK\$[•] was issued nil paid to the subscriber and transferred on the same day to Profit Chain.
- (b) On 28 May 2013, Best Trader was incorporated in the BVI as an intermediate holding company and on 4 June 2013, one subscriber Share of US\$1.00 was issued fully paid to our Company.
- (c) On [[•] November 2013], Vantage assigned the shareholder’s loans owed by Great Jump and Top Integration to Profit Chain.

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- (d) On [[•] November 2013], Profit Chain and Best Trader entered into a reorganisation agreement pursuant to which Profit Chain will transfer the entire issued share capital and related shareholder’s loans, of Great Jump and Top Integration to Best Trader and in consideration therefor, our Company credited as fully paid the nil paid subscriber share transferred to Profit Chain and issued and allotted 49,999,999 new Shares at cost credited as fully paid to Profit Chain.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report in Appendix I to this document. In addition to those disclosed above in the paragraphs headed “Changes in share capital” and “Reorganisation”, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

6. Repurchase by our Company of Shares

This section includes the information required by the [•] to be included in this document concerning the repurchase by our Company of its own securities.

(a) Regulations of the [•]

The [•] permit companies whose primary listings are on the [•] to repurchase their securities on the [•] subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders’ approval

Pursuant to resolution passed by the shareholders of our Company on [[•] November 2013], a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors authorising the repurchase by our Company on the [•], or on any other [•], of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time during the Relevant Period.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the applicable laws of the Cayman Islands. A [•] company may not repurchase its own securities on the [•] for a consideration other than cash or for settlement otherwise than in accordance with [•]. Subject to the foregoing, such purchases may only be effected out of the funds of the company otherwise available for dividend or distribution or out of the share premium account or out of the proceeds of a fresh issue of shares made for the purpose or, subject to solvency, out of capital. Any premium payable on a

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purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company’s share premium account or, subject to solvency, out of capital.

(iii) Status of repurchased securities

The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company’s assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Laws as if they had been acquired by the company at the time they were allotted.

(iv) Connected persons

The [•] prohibit a company from knowingly repurchasing securities on the [•] from a “**connected person**”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates and a connected person shall not knowingly sell his securities to the company, on the [•].

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or out of share premium account or, if authorised by the Articles and subject to the

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Companies Law, out of capital of our Company and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital or gearing position of our Company which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this document in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of [•] Shares in issue immediately after the completion of the [•] and Capitalisation Issue without taking into account any Shares which may be issued upon the exercise of the [•], would result in up to [•] Shares being repurchased by our Company during the period prior to the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and applicable laws and regulations of the Cayman Islands to be held; or
- (iii) the revocation, variation or renewal of the Repurchase Mandate by an ordinary resolution of the Shareholders in general meeting.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, have any present intention if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company or its subsidiaries.

No repurchase of Shares has been made by our Company since its incorporation.

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B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts



The following contracts (not being contracts in the ordinary course of business have been entered into by our Company or any of its subsidiaries within the two years preceding the date of this document and are or may be material:

1. Reorganisation agreement dated [[•] November 2013] entered into between Profit Chain and Best Trader, pursuant to which Profit Chain transferred its entire interests in Great Jump and Top Integration to Best Trader, a wholly-owned subsidiary of our Company and in consideration our Company credited as fully paid the nil paid subscriber share transferred to Profit Chain and allotted and issued 49,999,999 shares credited as fully paid to Profit Chain;
2. Deed of assignment dated [•] November 2013 entered into between Best Trader, Profit Chain, Great Jump and Top Integration, pursuant to which Profit Chain transferred and assigned all shareholder’s loans of Great Jump and Top Integration to Best Trader;
3. Deed of Indemnity;
4. Deed of Non-competition; and
5. [•]

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, our Group was the registrant of the following trademarks:

Trademark	Owner	Place of registration	Mark Type	Class No.	Trademark No.	Date of registration	Actual date of registration	Expiry Date
1. 	EXCEL	Hong Kong	Ordinary	37	200104387	14 August 2000	12 April 2001	14 August 2017
2. 	GADELLY	Hong Kong	Ordinary	37	200308266	14 August 2000	19 June 2003	14 August 2017

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(b) Domain name

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Domain name	Registered owner	Expiry date
excelengco.com	EXCEL	15 September 2014

Save as disclosed herein, there are no other patents, trademarks or other intellectual or industrial property rights which are material in relation to our Group’s business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interest — interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations*

Immediately following completion of the [•] and Capitalisation Issue and assuming that the [•] is not exercised, none of Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares and debentures of our Company or its associated corporations [•] which will be required to be notified to our Company and the [•] pursuant to [•] or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the [•]:

Interest in associated corporations

Name of Director	Name of associated corporation	Nature of interest	Name and class of shares	Approximate percentage of shareholding in associated corporations
1. Li Chi Pong	Vantage	Beneficial owner	[•] Ordinary Shares	[•]%
2. Yau Kwok Fai	Vantage	Beneficial owner	[•] Ordinary Shares	[•]%
		Interest in a controlled corporation (Note 1)	[•]	[•]%

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Note:

1. These Shares are legally and beneficially owned by Business Success Limited, the entire issued share capital of which is legally and beneficially owned by Mr. Yau Kwok Fai.

(b) Directors’ service contracts

Each of the executive Directors has entered into a service agreement with our Company on a term of three years commencing from the [•], which may be terminated in accordance with the provisions of the service contract or by not less than three months’ notice in writing served by either party on the other. Particulars of the service agreements of the executive Directors are in all material respects the same.

Mr. Yau Kwok Fai has been appointed as a non-executive Director pursuant to a letter of appointment for a term of [three] years commencing from the [•]. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Each of Dr. Law Kwok Sang, Professor Wong Lung Tak Patrick *B.B.S., J.P.* and Ms. Mak Suk Hing has been appointed as an independent non-executive Director pursuant to a letter of appointment for a term of two years commencing from the [•]. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) Directors’ remuneration

The aggregate amount of remuneration paid and benefits in kind granted to our Directors in respect of each of the three financial years ended 31 March 2011, 2012 and 2013 and the four months ended 31 July 2013 were approximately HK\$3.6 million, HK\$5.1 million, HK\$5.7 million and HK\$2.8 million, respectively. Under the arrangements in force as on the date of this document, our Directors will be entitled to receive remuneration and benefits in kind which, for the financial year ending 31 March 2014 is expected to be approximately HK\$[•] in aggregate (excluding any discretionary bonuses).

Save as disclosed in this document, none of our Directors has or is proposed to have a service contract with any member of our Group, save for contracts expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation.

No Director has been paid, in cash or shares, or otherwise by any person to induce him to become, or qualify him as, a Director or otherwise for services rendered by him in connection with the promotion or formation of our Company.

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2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the [•] and the Capitalisation Issue and assuming that the [•] is not exercised, the following persons (other than our Directors and chief executives of our Company) will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	Class of securities (Note 1)	Total number of shares	Approximate percentage of issued Shares immediately after the [•] and the Capitalisation Issue (Note 2)
Vantage (Note 3)	Interest in a controlled corporation	Ordinary (L)	[•]	[•]
Profit Chain (Note 3)	Beneficial owner	Ordinary (L)	[•]	[•]
Winhale Ltd. (Note 4)	Interest in a controlled corporation	Ordinary (L)	[•]	[•]
Braveway Limited (Note 5)	Interest in a controlled corporation	Ordinary (L)	[•]	[•]
HSBC International Trustee Limited (Note 5)	Trustee	Ordinary (L)	[•]	[•]
Mr. Ngai (Note 6)	Interest in a controlled corporation	Ordinary (L)	[•]	[•]

Notes:

1. The letter “L” denotes the person’s long position in such Shares.
2. Assuming the [•] is not exercised.
3. Profit Chain is wholly-owned by Vantage. As such, Vantage is deemed to be interested in the [•] Shares owned by Profit Chain by virtue of the SFO.
4. Winhale Ltd. is ultimately beneficially owned by the Xyston Trust, a discretionary family trust settled by Mr. Ngai for the benefits of himself and his family members.
5. Braveway Limited and HSBC International Trustee Limited are deemed to be interested in the shares of Vantage held by Winhale Ltd. by virtue of the fact that Winhale Ltd. is wholly owned by the trust of which Braveway Limited is the trustee. This trust is in turn 99.99% owned by Xyston Trust which HSBC International Trustee Limited is the trustee.
6. Mr. Ngai, is interested in 1,080,011,200 shares of Vantage, which comprise 6,250,800 shares held by himself, the deemed interest in 838,760,400 shares held by Winhale Ltd. and 235,000,000 shares held by Fame Yield International Limited by virtue of his interest in the entire issued share capital of Fame Yield International Limited and he was the settlor and a beneficiary of the Xyston Trust.

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Save as disclosed, taking no account of Shares which may be taken up under the [•] and Capitalisation Issue, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [•] and Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

3. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or chief executives of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the [•] pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the [•] once the Shares are [•];
- (b) none of our Directors or experts referred to in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of our Company or any of our subsidiaries, or in any assets which have, within the two years immediately preceding the date of this document, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) assuming the [•] is not exercised, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the [•] and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (e) none of the experts referred to in the paragraph headed “Consents of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

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- (f) As at the Latest Practicable Date, Mr. Li Chi Pong, our executive Director and Mr. Yau Kwok Fai, our non-executive Director and a director of Vantage, were interested in approximately in [0.32]% and [2.25]% respectively of the issued share capital of Vantage which indirectly owns 100% of the issued share capital of Able Contractors. Able Contractors was the largest suppliers of our Group during the Track Record Period. Except the above, during the Track Record Period, none of our Directors, their respective associates or Shareholders who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Declaration of dividend

Prior to the Reorganisation, EXCEL declared a one-off and non-recurring dividend of HK\$60 million to the then shareholder, Great Jump on [•] November 2013. Such dividend will be paid before the [•] in December 2013. On the same day, Great Jump declared the entire HK\$60 million as dividend to the then shareholder, Profit Chain.

2. Estate duty, tax and other indemnities

Vantage (the “**Indemnifier**”) has entered into the Deed of Indemnity in favour of our Company (being a material contract referred to in the section headed “B. Further Information About Our Business — 1. Summary of Material Contracts” in this appendix) to provide the following indemnities in favour of our Company (for itself and as trustee for its subsidiaries).

Under the Deed of Indemnity, amongst others, the Indemnifier will indemnify our Company against taxation falling on any member of our Group resulting from, or relating to or in consequence of, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the date when the [•]. The Indemnifier will also indemnify our Company against any direct damages, losses and liabilities arising from any and all of the non-compliances of any member of our Group with the Companies Ordinance as disclosed in this document.

The Indemnifier will, however, not be liable under the Deed of Indemnity where, among others, (a) provision has been made for such taxation in the audited accounts of our Group or any member of our Group; (b) the taxation falling on our Group or any member of our Group in respect of any accounting period commencing on or after 31 July 2013 unless liability for such taxation would not have arisen but for one or more events entered into by our Group or any member of our Group otherwise than in the course of normal day-to-day trading operations on or before the date on which the [•] becomes unconditional; (c) the taxation arises or is incurred as a result of a retrospective change in law or regulation or its interpretation or practice by the relevant tax authority coming into force after the date on which the [•] becomes unconditional; (d) the taxation arises or is increased by an increase in rates of taxation as a result of a change in law or regulation or its interpretation

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or practice by the relevant tax authority after the date on which the [•] becomes unconditional with retrospective effect; or (e) the taxation shall have been discharged by other person(s) to whom none of the members of our Group is obliged to reimburse such person(s) in respect of such discharge of taxation.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Litigation

Save as disclosed in the paragraph headed “Litigation and claims” in the section headed “Business” of this document, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

4. [•]

[•]

5. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$59,000 and are payable by our Company.

6. Promoter

Our Company has no promoter [•]. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any such cash or securities or benefit proposed to be paid, allotted or given to any promoters in connection with the [•] and the related transactions described in this document.

7. [•]

[•]

8. Property valuation

According to [•] and [•], this document is exempted from compliance with the requirements of [•] of the Companies Ordinance in relation to [•] to the Companies Ordinance which require a valuation report with respect to all our Group’s interests in land or buildings, for the reason that, as at 31 July 2013, none of the properties held by us had a carrying amount of 15% or more of our combined total assets.

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9. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
[•]	[•]
[•]	Certified public accountants
Conyers Dill & Pearman (Cayman) Limited	Cayman Islands attorneys-at-law

10. Consents of experts

Each of [•], [•] and Conyers Dill & Pearman (Cayman) Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and the references to its name included herein in the form and context in which it is respectively included.

11. Interests of experts in our Company

None of the experts named in paragraph 7 of this Appendix has any shareholding interests in any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

12. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies Ordinance so far as applicable.

13. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of the subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

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- (iii) no commission has been paid or is payable (except commissions to the [•]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in or debentures of our Company.
- (b) save as disclosed in this document, no founder, management or deferred shares of our Company or any of the subsidiaries have been issued or agreed to be issued;
- (c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (d) the principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to [•];
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (f) none of the equity or debt securities of our Company is listed or dealt in any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange;
- (g) our Company has no outstanding convertible debt securities;
- (h) there is no arrangement under which future dividends are waived or agreed to be waived;
- (i) [•];
- (j) as at the date of this document, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong; and
- (k) our Directors have been advised that, under the Companies Law, the use of a Chinese name by our Company does not contravene the Companies Law.

14. Bilingual Document

The English language and the Chinese language versions of this document are being published separately in reliance upon the [•]. In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.