

---

## RISK FACTORS

---

*Investors should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making any investment in the Offer Shares. If any of the possible events described below occur, the business operation, financial condition or results of operation of our Group could be materially and adversely affected and the market price of the Shares could fall significantly.*

### RISKS RELATING TO OUR BUSINESS

#### **Our business heavily relies upon certain major suppliers for supplying reputable car park floor coating materials**

For FY2015 and FY2016, our largest supplier, Supplier A, accounted for 77.8% and 80.1% of our total purchases, and our second largest supplier, Supplier B, accounted for 14.4% and 11.3% of our total purchases, respectively. Our five largest suppliers accounted for 97.3% and 97.2% of our total purchases for FY2015 and FY2016 respectively. For FY2015, FY2016, and the period from 1 April 2016 to the Latest Practicable Date, 79.6%, 81.8% and 74.1% of our Group's revenue, and 78.9%, 80.4% and 70.4% of our Group's gross profit were attributed to floor coating products sourced from Supplier A, respectively, while 19.7%, 15.0% and 17.5% of our Group's revenue, and 19.9%, 16.3% and 24.2% of our Group's gross profit were attributed to floor coating products sourced from Supplier B, respectively. For FY2015 and FY2016, our gross profit margin attributable to projects using Supplier A's products were 43.6% and 46.8%, and our gross profit margin attributable to projects using Supplier B's products were 44.7% and 52.0%. For information on the reasons for our reliance, please refer to the section headed "Business – Suppliers and procurement of materials – Reliance on major suppliers" in this prospectus.

We cannot assure that there will not be any dispute with our major suppliers, or that we will be able to maintain business relationships with our existing suppliers, in particular Supplier A and Supplier B. We have not entered into any long term supply agreement or distributorship agreement with our suppliers. Although Supplier A has authorised us to distribute and apply its products in Hong Kong until 2025 and granted a "preferred applicator" status to us, and Supplier B appointed us as its sole distributor in Hong Kong until 2025, there is no assurance that the said status, authorisation and/or exclusiveness would not be revoked or terminated, or discontinued in the future. There is no assurance that we are able to maintain business relationship with Supplier A and/or Supplier B, or that there will not be any unfavourable changes in our current arrangements, such as a substantial increment in price, a substantial reduction of quantities supplied to us or appointment of additional distributors in Hong Kong. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which would adversely affect our profitability.

The stability of operations and business strategy of our major suppliers, which are beyond our control, will also affect us. Any material disruption to their operations due to causes such as weather, riots, natural disaster, fire or other technical or mechanical problems could adversely affect our procurement process, such as causing non-delivery or delays in delivery of stocks to us. If that occurs, our results of operations could be adversely affected. Similarly, if our major suppliers change their business strategies substantially, for instance, with regards to its product portfolio and distribution channel, they could reduce their volume of supply to or cease business relationship with us, which could in turn materially affect our volume of business and performance.

---

## RISK FACTORS

---

### **Our future growth is reliant on the continuous development of the property industry in Hong Kong**

For FY2015 and FY2016, 78.9% and 83.6% of our revenue were derived from flooring services provided for new construction projects. Therefore, our results of operations are affected by the number and availability of new construction projects in both public and private sectors in Hong Kong, which in turn are affected by various factors, including but not limited to the general conditions of the property markets in Hong Kong, the general economic conditions in Hong Kong, and changes in government town planning and/or housing policies. For instance, an economic downturn in Hong Kong, an outbreak of epidemic disease, and/or introduction of adverse government policies on property markets in Hong Kong may lead to a significant decline in the property prices and the number of property construction projects, which may in turn cause budget cuts by developers on overall spending on construction costs including costs for car park flooring services.

There is no assurance that the number of private sector projects and/or public sector projects will not decrease in the future. In the event that the availability of new construction projects decreases as a result of the decrease in the number of private and/or public sector projects in Hong Kong, our businesses and results of operations may be adversely and materially affected.

### **Introduction and acceptance of new car park floor coating material in Hong Kong with similar characteristics may adversely affect our profit margin**

We mainly source car park floor coating materials from Supplier A and Supplier B, which are major suppliers in the car park flooring industry in Hong Kong. For details, please refer to the section headed “Business – Suppliers and procurement of materials” in this prospectus.

There is no guarantee that there will not be any new car park floor coating materials in Hong Kong with similar or better quality than the existing products of Supplier A and Supplier B. There is also no guarantee that we could be able to purchase the new floor coating material at a price acceptable to our customers, and/or that we would be able to obtain exclusive distributorship of the new floor coating material. If new car park floor coating materials are offered in Hong Kong and that they have similar or better durability characteristics than the car park floor coating materials currently used by us, our competitive advantage in being an authorised distributor of Supplier A and exclusive distributor of Supplier B will be weakened or even lost, which in turn adversely affects our business and profit margin.

### **Any economic downturn in Hong Kong may delay refurbishment of car parks in older buildings and will exert cost pressure on tenders which will have an adverse effect on our planned business expansion in the refurbishment sector**

We plan to expand our business in the refurbishment sector. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. However, the operation results and profitability from the refurbishment sector are affected by various factors which are beyond our control. For example, if the economic conditions in Hong Kong suffers a downturn, main contractors or the building management authorities may reduce spending on the refurbishment of old car parks. This may result in a delay in refurbishment of car parks and exert cost pressure on tenders for our refurbishment projects.

---

## **RISK FACTORS**

---

As our business is usually awarded through tendering process, a cut in spending on refurbishment projects and/or a delay in refurbishment of car parks will affect the number of tenders we could be awarded from the refurbishment projects, which in turn have an adverse effect on our planned business expansion and diversification in the refurbishment sector.

### **We have a concentration of customers during the Track Record Period**

For FY2015 and FY2016, the percentage of our aggregate revenue attributable to our largest customer during the respective period was 19.0% and 17.6% for the corresponding periods, respectively, while the percentage of our total revenue attributable to our five largest customers in aggregate was 55.5% and 57.7%, respectively. For details, please refer to the section headed “Business – Customers, sales and marketing” in this prospectus.

We cannot assure that there will not be any dispute with our major customers, or that we will be able to maintain business relationships with our existing customers. As we have been relying on a small number of major customers during the Track Record Period, in the event that the existing major customers cease to include us in the tendering process or engage our service, or decrease the number of orders placed, and we are unable to find new customers with similar attributable revenue within a reasonable period of time or at all, our business and profitability may be adversely affected.

### **Our success significantly depends on the key management and its ability to attract and retain additional technical and management staff**

Our success and growth depends on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Our Directors believe that our success, to a large extent, is attributable to the contribution of Mr. Kwong, Mr. Yip WM and Mr. Jason Yip. Details of their expertise and experience are set out under the section headed “Directors, Senior Management and Staff” in this prospectus.

Our key personnel’s efforts and expertise in the car park flooring industry are crucial to our operations and financial performance. Although we have entered into a service agreement with each of our executive Directors and members of the senior management, there could be an adverse impact on our operations should any of our executive Directors or members of the senior management terminate his service agreement with us or otherwise cease to serve us and we are unable to find suitable replacements in a timely manner. There is no assurance that we will be able to attract and retain capable staff or that they will not resign in the future. All these could cause an adverse impact on the business, results of operation and profitability of our Group.

### **We may face a shortage in materials and experience project delays if our suppliers fail to supply the quantity and quality of raw materials we need**

Our business is highly dependent on a sufficient supply of floor coating materials that meet the quality requirements. There is no assurance that our current suppliers can always meet our quality control requirements in the future. There is also no assurance that our suppliers could always supply the required quantity of raw materials in a timely manner. If any of these events occur, we may not be able to locate alternative suppliers promptly and on comparable commercial terms, resulting in a shortage of raw

---

## RISK FACTORS

---

materials and project delay. As a result, our business operation would be interrupted or discontinued and, thus, our financial performance and operation results may be adversely affected.

**Previous track record of our operation and financial results may not be reliable since our projects with customers are on one-off basis and we may not be able to secure future contracts with existing customers**

All our new projects are secured after going through a competitive tendering or quotation process. For FY2015 and FY2016, 60% and 83% of our revenue were derived from flooring projects obtained through tendering which were awarded based on many factors such as our fee quote, our reputation, and car park floor coating materials applied by us. There is no assurance that we are able to secure new contracts from our customers after the completion of the existing awarded contracts. In the event that we are unable to maintain business relationship with existing customers or unable to secure new contracts, our business and hence our revenue will be adversely affected.

**Our business is subject to the risk of cost overrun and project delay**

In pricing a tender or quotation, we are required to estimate the project time and costs based on various factors, such as (i) product specifications; and (ii) the prevailing market conditions. Any deviation between the estimated time and costs at the time we submit the tenders or quotations and the actual costs to complete the projects may affect our financial performance and profitability. For instance, if the amount we are required to pay for subcontractors exceeds what we have estimated, we may suffer losses on these contracts. In particular, for lump sum fixed price contracts, we are required to execute all the specified details and quantities of works as stated in the contract at the fixed agreed price, and no re-measurement will be allowed. For FY2015 and FY2016, HK\$37.5 million and HK\$50.9 million of our revenue were derived from provisional price contracts subject to remeasurement, representing 87.5% and 74.2% of our revenue in the respective financial year, while HK\$5.3 million and HK\$17.7 million were derived from lump sum fixed price contracts, representing 12.5% and 25.8% of our revenue in the respective financial year. For our provisional price contracts subject to remeasurement, the final contract sum is subject to final remeasurement against actual work done. Moreover, if property developers delay the launch of their property projects due to decrease in property price, our revenue and profit may be adversely affected. There is no assurance that the actual amount of time and costs would not exceed our estimation during the performance of the car park flooring coating works. As a result, any material inaccurate estimation in the time and costs involved in a job may adversely affect our profit margin and results of operations.

Further, the implementation of the project may be hindered by various factors, such as shortage of labour, delay in procurement of raw materials, dispute with subcontractors, accidents, and unforeseen problems and circumstances. Any of these could give rise to project delay beyond the contractual completion date. If the reasons for delay are not found eligible and accepted by our customers, we may be liable for liquidated damages calculated at a fixed amount per day pursuant to the contract. Any liquidated damages to be paid by us will materially adversely affect our financial results. Our reputation would also be damaged, which in turn causes an adverse effect to our business operation and profitability.

---

## **RISK FACTORS**

---

### **We may face bad debts which will adversely affect our financial performance**

We determine the provision of impairment of trade receivables on a case-by-case basis. We determine specific allowance for doubtful debts on a case-by-case basis having regard to a number of factors, including length of business relationship, the ageing of the receivable balances, results of the follow-up procedures, customers' reputation, and their financial strength and repayment history as well.

There is no guarantee that we will be remunerated for our work done. If any of our progress payment or final payment is not settled by our customers, bad debt would incur. We recorded an impairment of HK\$0.2 million made for FY2015. During the Track Record Period and up to the Latest Practicable Date, we did not experience any default of payment by our customers which would have had a material impact on our business, financial condition or results of operations. However, we cannot assure you that there will not be any bad debt in our future business operation. If the progress payments, final payment or any retention money are not remitted by our customers to us as agreed, our financial condition or results of operations may be adversely affected.

### **Any material delay in payment or release of retention monies from our customers may adversely affect our cash position and results**

We normally receive progress payment from our customers on a monthly basis with reference to the value of works done. A portion of such progress payment is usually withheld by our customers as retention money. Once we have completed the entire project to the satisfaction of our customer, final settlement will be paid by our customers after we reach agreement on the final account. Our customers will pay progress payments after our works commence and our payment applications will be certified by our customers. For details, please refer to the sections headed "Business – Progress payment" and "Business – Final settlement and retention money" in this prospectus.

Although the credit period granted by us to our customers is normally 30 days, it is not representative of the time required by our customers to settle payments due to us. In some cases, our customers may require a longer period of up to 12 months or more to certify our payment applications. As at 31 March 2015 and 31 March 2016, approximately 71% of our trade receivables were past due. Please refer to the section headed "Financial Information – Description of selected items of consolidated balance sheets – Trade and other receivables – Trade receivables" in this prospectus for further details. We undertake a number of projects at any given period, and the cash outflow of a particular project could be compensated by the cash inflows of other projects. If we fail to properly assess the creditability of customers which result in a material delay in payment or release of retention monies from our customers, our cash position may be adversely affected as substantial purchasing costs have been made without cash inflow from other projects at a particular point of time.

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

We require our subcontractors and employees to adhere to and implement all safety measures and procedures in accordance with our safety policies. Although we require our subcontractors and employees to implement the safety measures and procedures during execution of works, we cannot guarantee that

---

## RISK FACTORS

---

there will not be any violations of rules, laws or regulations by the subcontractors or our employees. In the event that our subcontractors or employees fail to implement safety measures on our work sites, there may be higher number of occurrence of personal injuries or property damage, which may adversely affect our operations and financial position to the extent not covered by our insurance policies.

**We are exposed to construction dispute or litigation and we cannot assure you that such legal proceedings will not have a material adverse impact on our business**

We act as either a main contractor or subcontractor when carrying out car park flooring and ancillary works, and we may receive claims in respect of various matters from customers, subcontractors, workers and other parties concerned with the projects from time to time. Such claims include claims for compensation for late completion of works and delivery of substandard works, and claims in respect of personal injuries and labour compensation in relation to works.

As at the Latest Practicable Date, there were no pending civil proceedings that were brought against us. However, we cannot assure you that we will not be exposed to any other dispute, litigation, civil or criminal proceedings in the future. There is also no assurance that the insurance company will not counterclaim us for breach of the terms and conditions of the relevant policy. In either event, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the car park flooring industry if they were published by the press. If the aforesaid claims were successfully made against us, it would result in the incurring of legal costs, which in turn could adversely affect our revenue, results of operations and financial position.

**Our insurance claim may be declined by the insurance company or fall outside the scope and/or limit of our insurance coverage which may adversely affect our financials and performance**

We maintain third party liability insurance to cover, among others, the liability of our subcontractors and us in respect of bodily injuries and property damages, and we maintain insurance coverage against third party liability in relation to use of our vehicles. Please refer to the section headed “Business – Insurance” in this prospectus for further details.

Certain types of risks, such as the risk in relation to product liability, collectability of our trade and retention receivables and liabilities arising from events such as natural disasters are generally not covered by insurance because they are either uninsurable or it is not justifiable to insure against such risks in light of the cost. If an uninsured liability arises, we may suffer losses which may adversely affect our financial position. There can be no assurance that all potential losses and claims, regardless of the cause, would be sufficiently covered and/or recoverable from the insurers as any insurance claim may be declined by our insurance company or fall outside the scope and/or limit of our insurance coverage. This may adversely affect our financials and performance.

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

We intend to further enhance our machineries, equipments, and manpower for the purpose of increasing our marketing effort in order to cope with the expected increase in demand for our services. We also intend to expand our business into the refurbishment sector. However, our plans and strategies

---

## RISK FACTORS

---

may be hindered by risks including but not limited to those mentioned elsewhere in this section. For example, we may not be able to attract skilled project managers and technical staff to expand our presence in the refurbishment sector. In addition, we may not be able to attract customers in the refurbishment sector to engage us for the provision of car park flooring work. Accordingly, we cannot guarantee that our future plan to expand our business into the refurbishment sector would be successful.

There is no assurance that we will be able to successfully maintain or increase our market share or achieve growth in our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans could materially and adversely affect our business, financial condition and results of operations.

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

Our Hong Kong-incorporated subsidiary has on various occasions not fully complied with certain statutory requirements, including non-compliance with the Dangerous Goods Ordinance (Chapter 295 of the Laws of Hong Kong) in relation to storage and transport of dangerous goods without licence. For details, please refer to the section headed “Business – Non-compliance matters of our Group during the Track Record Period and as at the Latest Practicable Date” in this prospectus.

There is no assurance that the relevant authorities would not take any enforcement action against us and our Directors in relation to the non-compliance, including but not limited to imposing fines or other penalties. In the event that such enforcement action is taken, our reputation, cash flow and results of operations may be adversely affected.

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

#### **Any change in Hong Kong Government’s policy with the effect of reducing the number of car parking spaces in Hong Kong will have a material adverse effect on our business.**

Our results of operations are affected by the number and availability of new construction projects in both public and private sectors in Hong Kong, which depends much on the Hong Kong Government’s policy. Any change in the policy of the Hong Kong Government in the future with the effect of reducing the number of car park spaces will have a direct adverse impact on our operation results and profitability.

#### **The construction industry, including the car park flooring industry, in Hong Kong has been facing the issue of labour shortage and rising labour costs**

According to the Industry Report and as our Directors confirmed, the construction industry, including the car park flooring industry, in Hong Kong has been facing the issue of labour shortage due to insufficient number of workers entering the industry. The average daily wages for Hong Kong car park flooring workers had witnessed a growing trend from HK\$572 in 2010 to HK\$829 in 2015 at a CAGR of 7.7%. Inflation, substantial demand for workers in construction industry due to increasing number of property development projects, announcement of development goal by government (e.g. 10-year housing supply target) and shortage of labour served as key drivers for the daily wages in the car park flooring industry over the period.

---

## **RISK FACTORS**

---

We employ our own site workers and engage subcontractors to conduct car park flooring works. Our direct labour costs as a percentage of our total costs of sales, amounted to 8.9% for FY2015 and 7.0% for FY2016. Similarly, subcontracting costs paid by us, as a percentage of our total costs of sales, increased from 26.8% in FY2015 to 36.2% in FY2016. If we fail to effectively manage our direct labour cost and/or subcontracting costs as a result of shortage of local labour supply, our business operations and financial performance may be materially and adversely affected.

**Changes in existing laws, regulations and government policies, including but not limited to the introduction of more stringent laws and regulations on environmental protection and labour safety may cause us to incur additional costs**

We are required to comply with the laws, regulations and requirements in Hong Kong, including but not limited to environmental protections and labour safety issues. In the event that our operations fail to meet the relevant laws, regulations and requirements, we may be subject to fines or required to make remedies which may in turn have an adverse effect on our operations and financial condition. In addition, there is no assurance that the existing laws, regulations and requirements will not be changed in the future. Should there be more stringent laws, regulations and requirements applicable to the construction industry and the car park flooring business, we may incur additional cost in complying with the new law(s), regulation(s) and requirement(s), which in turn may adversely affect our profitability.

### **RISKS RELATING TO THE SHARE OFFER**

**There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile**

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our revenues, earnings and cash flows, strategic alliances or acquisitions made by us or our competitors, industrial or environmental accidents suffered by us, loss of key personnel, litigation or fluctuations in the market prices for our products, the liquidity of the market for the Shares, the general market sentiment regarding the flooring industry could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

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

We may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage of ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share. In addition, we may need to raise additional funds in the future to finance business expansion or new development and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.



---

## **RISK FACTORS**

---

### **Any disposal by the Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares**

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

### **Historical dividends are not indicative of our future dividends**

We had declared dividends of HK\$6.5 million and HK\$10.0 million in respect of FY2015 and FY2016, respectively. The value of dividends declared and paid in previous years should not be relied on by potential investors as a guide to our future dividend policy or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future, at a similar level or at all. The amount of any dividends to be declared in the future will be subject to, among other factors, our Directors' discretion, having taken into account our substantial capital requirements in the foreseeable future, the availability of distributable profits, our earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no assurance that our Company will receive sufficient distribution from its subsidiaries to support any future profit distribution to the Shareholders, or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past, or by other listed companies in the same industry as us.

### **Investors may experience difficulties in enforcing their shareholders' rights as the laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located**

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

---

## RISK FACTORS

---

### RISKS RELATING TO THIS PROSPECTUS

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

Certain facts, statistics, and data presented in the section headed “Industry Overview” and elsewhere in this prospectus relating to the market of the industry have been derived, in part, from various publications and industry-related sources prepared by government officials or Independent Third Parties. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer has independently verified, or make any representation as to, the accuracy of such information and statistics. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

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

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed “Forward-looking Statements” in this prospectus.