
RISK FACTORS

Prospective investor should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospect of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This document contains certain forward-looking statements regarding our plans, objective, expectations and intentions which involve risks and uncertainties. Our Group’s actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks involved in the operations of our Group, some of which are beyond our Group’s control. These risks can be broadly categorised into: (i) risks relating to our business and operations; (ii) risks relating to our Group’s market and industry; (iii) risks relating to the [REDACTED]; and (iv) risks relating to the statements made in this document.

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Our contracts are not recurring in nature and our future business depends on our continuing success on project tender

The majority of our revenue is derived from contracts awarded through competitive tender process and is not recurring in nature. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our tender success rate was 18.1%, 18.0% and 18.8%, respectively, please refer to the discussion of our tenders submitted and success rate in the section headed “Business – Operating procedures – Quotations submitted during the Track Record Period” in this document. As our projects are generally one-off, we have to go through a competitive bidding process each time we seek for new project from existing or new customers, who may impose specific and different requirements for selecting contractors or for their projects. Even if we are able to meet the pre-requisite requirements for tendering specific projects, there is no assurance that we would be invited to or would be made aware of the tender process or that the terms and conditions of the new contracts would be comparable to the existing contracts, or our tenders would ultimately be selected by customers. In the competitive bidding process, we may have to lower our contract prices or offer more favourable terms to our customers to enhance our competitiveness. If we are unable to maintain our competitiveness or retain our existing customers or obtain new contracts continuously, our business, financial conditions and results of operations may be materially and adversely affected.

In addition, our customers are expected to have adopted their respective evaluation system to select contractor. Although we believe they evaluate the standards of management, industrial expertise, financial capability, reputation and regulatory compliance of the candidate, such evaluation standards can be subjective and may change from time to time and vary among customers. Though we use our best endeavours to understand the customer’s

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requirements and preferences, they may not be disclosed to us in full or at all, or we may be even unable to cater to our customer’s ideal standard, which may even be varying from time to time. As such, there is no assurance that we will be selected in accordance with our customers’ evaluation standards financial condition and results of operation.

We rely on key management personnel and our business operation may be adversely affected if our Group is unable to retain them and identify suitable replacement

Our continued success and growth depend on our ability to identify, hire, train and retain suitable, skilled and qualified employees, including management personnel with the requisite industry expertise. Ms. Wong, our executive Director and chairman of our Board, has been managing our Group’s administration, business development and operation since 2007. Our executive Director, Mr. Lam has around 20 years’ experience working in the construction industry in Hong Kong. Our members of the senior management team, namely Mr. Cheung, Mr. Cheung Ho and Mr. Poon Yau Cheung, being our project director, project manager and project manager, respectively, have around 14 to 17 years of industry experience. Our continued success is dependent, to a large extent, on our ability to retain the services of our executive Directors and management team. Our management personnel and skilled employees may leave us or we may terminate their employment at any time, and there is no guarantee that we will be able to retain them or find suitable or comparable replacements on a timely basis or at all. suppliers and know-how. The loss of services of any of our management personnel and skilled employees could have a material adverse effect on our business, results of operations and financial condition.

A significant percentage of our revenue is derived from our major customers

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, our respective top five customers accounted for approximately 78.1%, 69.8% and 49.1% of our total revenue, respectively while our respective largest customer accounted for approximately 42.8%, 39.7% and 20.2% of the our total revenue, respectively.

There is no assurance that we will be able to retain our customers upon expiry of the contract or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects or size of projects in terms of contract value awarded by our five largest customers to our Group for whatever reasons, and if we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial conditions and operating results would be materially and adversely affected. Besides, if any of our five largest customers experience liquidity problems, it may result in delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and financial conditions.

Our Group may not have adequate insurance coverage and our Group is affected by increasing insurance costs and reduction of insurance coverage by the insurers

Our Group has maintained insurance coverage for various risks in relation to its operations. Some customers may also demand insurance coverage to meet the requirements as stipulated in the contracts. However, our Group does not carry any insurance policies against certain risks, such as acts of terrorism. Furthermore, for risks currently covered,

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adequate insurance coverage may not be available in the future on reasonable terms or may only be available at significantly higher premiums. Should any major claims in these regards be made which are not covered by adequate insurance, our Group's business and financial performance may be materially and adversely affected. During the Track Record Period, the insurance costs of our Group have continued to increase and for each of the years ended 31 March 2015 and 2016, the aggregate expenses of our Group's insurances were approximately HK\$1,373,000 and HK\$1,586,000, respectively. For the three months ended 30 June 2016, our aggregate expenses of insurances amounted to approximately HK\$350,000. Any further increase in insurance costs (such as an increase in insurance premiums) or reduction in coverage may materially and adversely affect our Group's business operations and financial results.

Our failure to meet the timing requirements in our contracts may lead to liquidated damages

Some of our contracts are subject to specific completion schedule requirements with liquidated damages penalty if we fail to meet the schedule. Liquidated damages are typically levied at an agreed rate of the contract sum for every day of delay. The actual time to complete a fitting-out, renovation or A&A project may be adversely affected by various factors, including adverse weather conditions and other acts of God, shortage of materials and labour, additional variations to the interior design or renovation plans requested by our customers or due to technical needs, disputes with subcontractors, accidents and other unforeseen problems or circumstances, which may be beyond our control. Any failure to meet the time requirements in our contracts could lead to significant liquidated damages payable by us, which could have an adverse impact on our reputation, reduce or eliminate our profit, or even give rise to a loss in worse case, on such contract and adversely affect our liquidity and cash flows.

We are exposed to disputes, claims or litigation that may affect our operations and our financial positions

As an interior designer or a contractor for fitting-out, renovation and A&A works, we may be subject to claims in respect of various matters from our customers, suppliers, subcontractors, workers and other parties concerned with the projects from time to time. Such may include claims for compensation due to late completion of works or delivery of substandard works, disputes relating to late or insufficient payment and claims in respect of personal injuries and labour compensation in relation to works. In addition, we may, from time to time, face prosecutions relating to labour safety offences arising from our or our subcontractors' failure to comply with relevant work safety legislations or other health or environmental offences. Any of such claims may cause us to incur material costs or losses and may hence materially and adversely affect our business, financial condition and results of operations. The outcome of a claim is subject to relevant parties' negotiation, decision of the court or relevant arbitration organisation. Should such claims fall outside of the scope and/or limit of our insurance coverage or exceed the retention monies retained from our subcontractors, our financial position and results of operation may be adversely affected. In addition, the disputes, claims or litigation may lead to negative publicity, that could result in loss of customers or lead to increasing difficulty in securing new projects.

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During the Track Record Period, we faced one litigation under the Employee's Compensation Ordinance and one civil claim, both arising from a fatal accident happened in August 2013. For details, please refer to the section headed "Business – Litigation and potential claims" in this document.

We depend on our subcontractors and materials suppliers to complete the works of our projects

We have in the past relied on and expect to continue to rely on our subcontractors and materials suppliers to complete most of the works and deliver materials for our projects. Nevertheless, we may not be able to effectively monitor the performance of these subcontractors and materials suppliers as directly and efficiently as our own staff. In addition, qualified subcontractors or materials suppliers may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified and competent subcontractors or suppliers, our ability and punctuality to complete projects could be impaired. If a subcontractor or materials supplier fails to provide services or supply materials as required under a contract for any reason, we may be required to source these services from third parties which may delay our project or at a higher price than anticipated, which could impact contract profitability. If a subcontractor's or materials supplier's performance does not meet our standards, the quality of the project may be affected, which could also harm our reputation and potentially expose us to litigation and damage claims.

In addition, we require our subcontractors and materials suppliers to follow and adopt all the safety measures and procedures as stipulated in our safety policy. However, if our subcontractors or materials suppliers violate any laws, rules or regulations in relation to health, safety and environmental matters, we may not only expose ourselves as primary obligor to prosecutions by relevant authorities, but also be subject to claims for losses and damages if such violations cause any personal injuries/death, damage to properties fines or other remedial measures. In the event there is any such violation occurred in the sites for which we are responsible, our reputation, operations and hence our financial position will be adversely affected. In addition, relevant safety measures and procedures may change in the future. If there is any change to such safety measures and procedures applicable to us or our subcontractors, we may incur additional cost in complying with them, which in turn may adversely affect our profitability.

Our profit may be substantially reduced if there are changes in our subcontracting and material costs after tender

Our direct costs mainly consist of subcontracting and material costs, which amounted to approximately HK\$107,631,000, HK\$99,348,000 and HK\$19,211,000 or 93.4%, 89.7% and 85.9% of our direct costs for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively. We prepare our tender and quotation based on our estimated project costs (which mainly include our wages, subcontracting and material costs) plus a mark-up margin at the time when we submit our tender for projects or our initial proposals to our potential customers. However, the actual subcontracting and material costs will not be finalised until we have entered into formal agreements with our subcontractors and suppliers upon the award of a fitting-out, renovation or A&A contract. We cannot assure

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you that there will not be any fluctuations in the subcontracting and material costs during such period in the future, the occurrence of which may materially and adversely affect our business, financial conditions and results of operations.

We are subject to other construction risks such as fire, suspension of water and electricity supplies

In the course of our fitting-out or construction projects, we are subject to construction risks, and some of which such as fire, suspension of water and electricity supplies are beyond our control. Due to the occurrence of these construction risks, we may not be able to complete the projects within the prescribed timing requirements, and hence subject to claims by our customers. In addition to adversely affecting the work progress, these construction risks may threaten the safety of our labour and workers of our suppliers or pose risks to our equipment kept at the project sites.

If our Group fails to collect trade receivables from customers in a timely manner or at all, our Group's working capital and cash flow may be adversely affected

Our debtors' turnover days were approximately 16.4 days, 40.1 days and 76.3 days for each of the year ended 31 March 2015 and 2016 and the three months ended 30 June 2016, respectively. As far as a single project is concerned, we normally start recording our net cash outflows when we are required to pay the setting up expenditures in the early stage, such as purchase of materials and payment to our suppliers and staff. However, the progress payments will not be paid to us until our works are certified by our customers or certain milestone is achieved. Therefore, our cash flows for a particular project will only turn into accumulative net inflows gradually as the works progress. There can be no guarantee that we can maintain sufficient control over our cash flow to avoid excessive cash flow request brought by significant projects at a particular period of time. If we are unable to manage the fluctuation of our cash flow, our business, financial conditions and results of operations could be materially and adversely affected.

We are engaged in an industry that we require stable supply of labour to carry out our projects

We engage in an industry that requires stable labour force to complete our fitting-out, renovation and A&A projects. For these projects, we rely on workers with different skills to complete our projects. In addition, the labour costs have kept surging in recent years. There is no assurance if we will be able to recruit sufficient labour in the future or the labour supply and average labour costs will remain stable in the future. If either we or our subcontractors fail to retain existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects, or there is a significant increase in the labour costs, we may not be able to complete our projects on schedule or within budget. As such, our business, financial conditions and results of operations may be adversely affected.

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

Our Group has not declared any dividend during the Track Record Period. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, including, but not limited to, our results of operations, financial condition, future prospects and other factors which our Directors may determine important. Please refer to the section headed “Financial Information – Dividend policy” in this document for further details. Due to the above reasons, we cannot guarantee if and when dividends will be paid in the future.

RISKS RELATING TO OUR GROUP’S MARKET AND INDUSTRY

The entry barrier to interior design, fitting-out, renovation and A&A industry is low and we may face fiercer competition if there are new comers

The interior design, fitting-out, renovation and A&A industry in Hong Kong is highly competitive. Market participants not only have to come up with new creative ideas and skills, but also have to cut their prices and lower their profit to obtain tenders and projects. We have a large number of competitors including local and international companies which offer similar services as ours in Hong Kong. Please refer to the section headed “Business – Competition landscape” in this document for further details. Some of our competitors may have more manpower, resources, licenses and qualifications, longer operating histories and stronger relationship with customers and brand names. Due to the large number of competitors, we may face significant downward pricing pressure and thereby reduce our profit margins. There is no assurance that our profit margin will not decline as a result of the price pressure. If we cannot adapt effectively and promptly to changing market conditions and customer preferences or otherwise fail to provide a competitive bid as compared to our competitors, our services may not be attractive to customers and our business may be materially and adversely affected. Our competitors may also adopt aggressive pricing policies or develop relationships with our customers in a manner that could significantly harm our ability to secure contracts.

Our business may suffer if we do not respond effectively to changes in regulatory and industry standards

Our success will depend, in part, on our ability to keep up with the pace of changing standards in the market we serve. If we do not respond successfully to changes in the regulatory, as well as evolving industry standards, our customers are likely to seek more qualified service providers who are able to respond more effectively to changes in the regulatory standards and better meet their demand. In such event, our business and results of operations may be materially and adversely affected.

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Our performance is dependent on market conditions and trends in the interior design, fitting-out, renovation and A&A industry and in the overall economy which may change adversely

Our operations and management are currently located in Hong Kong. The future growth and level of profitability of the interior design, fitting-out, renovation and A&A industry in Hong Kong are likely to depend primarily upon the continue availability of major interior design, fitting-out, renovation and A&A projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, customer expenditure on the interior design, fitting out, renovation and A&A works in connection with the general conditions and prospects of the economy of Hong Kong. These factors may affect the availability of interior design, fitting-out, renovation and A&A projects from public sector, private sector or institutional bodies. Should there be a recurrence of recession in Hong Kong, deflation or any changes in Hong Kong’s currency policy, or should the demand for interior design, fitting-out, renovation and A&A works in Hong Kong deteriorate, our operations and profits could be adversely affected.

RISKS RELATING TO THE [REDACTED]

An active trading market of the Shares may not develop

Prior to the [REDACTED], there has been no public market for the Shares. The initial [REDACTED] range for the [REDACTED] was the result of negotiations among our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]). The [REDACTED] may differ significantly from the market price for the Shares following the [REDACTED]. However, even if approved, being listed on GEM does not guarantee an active trading market for the Shares following the [REDACTED] or that the Shares will always be listed and traded on GEM. Our Group cannot assure that an active trading market will be developed or maintained following completion of the [REDACTED], or that the market price of the Shares will not fall below the [REDACTED].

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

Upon [REDACTED], the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the revenue, earnings and cash flows of our Group and announcements of new services and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in market prices for our Group’s services or fluctuations in market prices of comparable companies, changes of senior management of our Group, and general economic conditions. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past. It is likely that from time to time, the Shares will be subject to changes in price that may not be directly related to our Group’s financial or business performance.

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Purchasers of the [REDACTED] will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future

Based on the [REDACTED] range, the [REDACTED] is expected to be higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, the purchasers of the [REDACTED] will experience an immediate dilution in unaudited pro forma net tangible asset value to approximately HK\$[REDACTED] per Share and approximately HK\$[REDACTED] per Share based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new 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 existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

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

The Shares held by the Controlling Shareholders are subject to a lock-up period beginning on the date on which trading in the Shares commences on GEM. There is no assurance that the Controlling Shareholders will not dispose of their Shares after the lock-up period. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial Shareholder or Controlling Shareholders, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholders may have on the market price of the Shares. Sales of a substantial amount of Shares by any substantial Shareholder of our Company or Controlling Shareholders or the issuance of a substantial amount of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from those in Hong Kong

The corporate affairs are governed by the Memorandum, Articles of Association, the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong, which mean that the remedies available to our Company's minority shareholders may be different from those they would have in other jurisdictions. A summary of Companies Law is set out in Appendix III to this document.

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RISKS RELATING TO THE STATEMENTS MADE IN THIS DOCUMENT

Statistics and facts in this document have not been independently verified

This document includes certain statistics and facts that have been extracted from Government official sources and publications or other sources. Our Company believes the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by our Company, the Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of their respective directors or any other parties involved in the [REDACTED] and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Forward-looking statements contained in this document may be inaccurate and therefore investors should not place undue reliance on such information

This document contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this document.

Investors should not rely on any information contained in the press articles or other media regarding us and the [REDACTED]

Prior to the publication of this document, there might have been press articles and media or internet coverage regarding us and the [REDACTED] which might include certain financial information, financial projections, and other information about us which do not appear in this document. Such information might not be sourced from or authorised by us, hence, we do not accept any responsibility for the accuracy and completeness of such information. We cannot guarantee and make no representation as to the appropriateness, accuracy, completeness or reliability of such information. Potential investors are therefore cautioned to make their investment decisions based solely on the information contained in this document.