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## RISK FACTORS

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*Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Our business, financial condition and results of operations could be adversely affected by the materialisation of any of the following risks. Trading prices of the Shares could decline due to any of the following risks, and you may lose part or all of your investment.*

### **RISKS RELATING TO OUR BUSINESS**

**Our income from installation and maintenance services is generally project based and non-recurring in nature and any decrease in the number of projects and/or any decrease in the demand of maintenance services would affect our operations and financial results**

Our income is primarily generated from the provision of ELV solutions, which can be generally divided into new project installation and maintenance services. Apart from variation orders or supplemental orders placed by our customer during the course of a project, our engagements with our customers are on a project basis and are generally non-recurring in nature. In general, the duration of work of our installation projects may vary from 1 month to 30 months. A customer that accounts for a significant portion of our income for a particular period may not generate any income to us in subsequent periods. In addition, we do not enter into any long-term agreements with our customers except for some maintenance service agreements with our customers which generally last for one to three years. After completion of our services, our customers are not obliged to engage us again in the future for maintenance and enhancement services or for new projects of such customer.

As such, our income derived above is not recurring in nature. There is no guarantee that we will win the awards of project contracts in the future, and there is no assurance that our existing customers will invite us to tender when they have new projects. Our operations and financial results would be adversely affected if we are unable to win new projects or secure new projects from existing customers, which may lead to a decrease in the number of projects.

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### **Historical financial conditions and results of operations may not be indicative of our future growth**

For the two years ended 31 August 2015 and 2016, our total revenue amounted to approximately HK\$56 million and HK\$80 million, respectively, while our gross profit amounted to approximately HK\$16 million and HK\$27 million respectively, with gross profit margin of approximately 29% and 34% respectively. Such financial results were mainly due to the increase in the business volume of our Company as a result of the increase in demand for our installation and maintenance services.

We cannot assure that we will be able to operate our business as successful in the future or that the macro-economic condition of Hong Kong will not deteriorate. Our financial conditions and results of operations may be adversely affected if we fail to operate our business as successful or the macro-economic condition in Hong Kong becomes unfavourable.

### **We prepare our tender based on estimated cost plus a mark-up margin, and there is no assurance that the actual time and costs incurred by us would match our initial estimate**

We prepare our tender based on estimated cost plus a mark-up margin. For details of the factors we consider when we make our cost estimates, please refer to the paragraph headed “Business – Sales and marketing – Pricing policy” in this prospectus. The actual time and costs incurred by us, however, may be affected by various factors, including (i) variations to the requirements or design requested by our customers; (ii) delays by our suppliers in delivering the systems/equipment; (iii) delays or defects in the installation work provided by our subcontractors; (iv) departure of our key personnel; (v) disputes with our customers or suppliers; (vi) disputes among other parties involved in the projects; (vii) changes in market conditions; and (viii) other unforeseen problems and circumstances. Any of these factors may lead to delays in completion or cost overruns by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

If a significant mark-up is made upon our estimated costs, then our contract fee may be less competitive. There can be no assurance that our tenders will always be priced competitively. If we fail to price our tenders competitively, our customers may not engage our services for the potential project or order, resulting in a decrease in the number of projects or orders. In such event, our operations and financial results would be adversely affected.

On the contrary, if the fee set by us is too low, then our profitability may be materially and adversely affected when the actual time spent and costs exceed our estimation during the actual implementation of the project or order.

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**Even we have established and enhanced our internal control system on monitoring our costs, the actual costs incurred by us may be affected by changes in market conditions that are beyond our control and we may incur cost overrun**

In order to enhance the monitoring of the profitability of individual project, starting from January 2017, weekly timesheet is prepared by each staff of the installation team and maintenance team and reviewed by the team leader and our management from time to time, and we take into account all the estimated and actually incurred cost of material and equipment, subcontracting cost and labour cost of each project in monitoring its profitability throughout its installation or maintenance process. Please refer to the sub-paragraph headed “Business – Internal control and corporate governance – Internal control measures to improve weakness on project budgeting and monitoring” for further details of the Group’s enhanced internal control measures. However, the actual costs incurred by us may be affected by changes in market conditions which is beyond our control. If the actual incurred cost is higher than our budgeted cost, our profitability may be adversely affected.

**Our offer of instalment payment option to our customer may have a material adverse effect on our liquidity and expose us to a higher credit risk**

If we offer instalment payment option to customers with the use of capital resources in addition to the net proceeds from the Share Offer in the future, we will be required to pay the costs of our solutions provided to customers at the beginning and be paid over a longer period of time, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes. Moreover, if any of our customers choosing the instalment payment option is in material default of the payment obligation under the contract with us, we may not be able to effect re-possession or re-sale of the solutions provided in a timely manner or at all and we may incur costs to effect such re-possession or re-sale. Any of such payment delays and/or defaults by our customers may adversely affect our operating cash flow, financial position and operating results.

**We may be exposed to payment delays and/or defaults by our customers which would adversely affect our cash flow or financial results**

Our Group does not have a standardised and universal credit period granted to our customers. In addition, in some installation projects, the work we handled only formed part of the customer’s entire system, and the customer also engaged other contractors to handle the other parts of the system. In such case, only until every contractor finished their respective work, the customer would not be able to test the functioning of the entire system. As confirmed by our Directors, it is the industry practice that the customer would only pay the contractors when the testing of the entire system is satisfactorily performed and completed. For further details, please refer to the section headed “Financial Information” in this prospectus.

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As at 31 August 2015 and 31 August 2016, invoices aged over 90 days amounted to approximately HK\$2.9 million and HK\$3.4 million, respectively, while our average trade receivables turnover were 66 and 71 days, respectively.

There can be no assurance that our customers will settle our invoices on time or in full. Any of such payment delays and/or defaults by our customers may adversely affect our operating cash flow, financial position and operating results.

### **Mismatch in turnover days for trade receivables and trade payables will affect our cash inflow**

For the two years ended 31 August 2016, our trade receivables turnover days were approximately 66 days and 71 days whereas our trade payables turnover days were approximately 45 days and 32 days, respectively. As such, our credit periods for payment to our suppliers is generally shorter than that we offered to our customers and thus, our cash inflow and outflow may be mismatched. When our operations expand, our cash outflow increases at a faster pace than cash inflow. We had net cash from operating activities of approximately HK\$2.4 million and approximately HK\$1.4 million for the two years ended 31 August 2016. Our liquidity will be materially and adversely affected if there is net cash outflow in our operating activities.

### **We have obtained various qualifications and licences from various authorities. We are also on Government's various approved lists of contractors and suppliers. All these are important to our operation and any loss of any or all of these could materially and adversely affect our businesses in Hong Kong**

In accordance with the laws and regulations in Hong Kong, we are required to obtain various qualifications and licences for our operations. We are also included in the approved contractors or suppliers lists of Government departments and public body such as Drainage Services Department, Electrical and Mechanical Services Department, Leisure and Cultural Services Department, Government Logistics Department, Development Bureau and the Hong Kong Housing Society, so that we may submit tender for public sector contracts of the relevant Government departments and public body. Please refer to the section headed "Regulatory Overview" and the paragraph headed "Business – Key Qualifications and Licences" for details.

We cannot assure you that we can obtain any additional qualifications and licences or renew such qualifications and licences, and we cannot guarantee that we will remain on the various lists of approved contractors or suppliers of the Government or public bodies. Any loss of or failure to obtain new licences or renew our licences or failure to remain on the Government's lists of approved contractors and suppliers may materially and adversely affect our operations and financial results.

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**We may be unable to attract and retain employees with the requisite skills, expertise and experience. Also any increases in labour costs could affect our operation and financial results**

We rely on the skills, expertise and experience of our employees to provide quality ELV solutions to our customers. Our staff cost, including salaries and other employee's benefits, amounted to approximately HK\$20.9 million and HK\$32.3 million for each of the two years ended 31 August 2015 and 2016, respectively, which accounted for approximately 37.3% and 40.2%, respectively, of our revenue for the relevant year. 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.

**We may be involved in disputes, legal and other proceedings arising from our operations from time to time and may face significant liabilities as a result**

If our staff fail to implement safety measures and work procedures, they may suffer from bodily injuries or death as a result of accidents occurred during the course of their employment. They may be entitled to claim damages against us under the Employees' Compensation Ordinance as well as pursue litigation claim by way of a personal injury claim against us under the common law in Hong Kong. Moreover, many of the ELV solutions that we provide to our customers are important to our customers' businesses. It follows that any material defects or errors in the ELV solutions that we provide could disrupt our customers' business and/or adversely affect their reputation. This may result in potential claims against us by our customers. If our insurance coverage cannot adequately protect us against these claims, we may have to pay out of our own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. In addition, our reputation may be affected by such incidents. As such, our business and operation could be adversely affected.

**Our business may be affected by the Hong Kong Government's level of spending on public works**

During the Track Record Period, approximately 25.9% and 40.2% of our revenue was generated from public sector projects. Some of these projects are non-recurring in nature. Any change or significant delay in the level of spending on public works by the Hong Kong Government may affect our business and operation results. In the event that the Hong Kong Government reduces its level of spending on public works and we fail to secure business from other sectors, our business and profitability could be adversely affected.

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### **Part of our revenue is derived from term contracts which may not recurrent to us**

During the Track Record Period, part of our revenue was derived from term contracts in respect of the maintenance projects with our customers including Hong Kong Government. Our Directors expect that such trend will continue for a while after Listing as there are certain term contracts remaining outstanding after Listing. However, we cannot guarantee that we will be able to secure new term contracts with the Hong Kong Government or other customers. In the event that we fail to do so, our future revenue and future profit may be adversely affected.

### **We may be liable for defects or errors in our ELV solutions, which would damage our business reputation and adversely affect our financial results**

If the ELV solutions delivered by us contain defects or errors which adversely affect the customer's business, our Company may incur additional costs in correcting the defects or defending any legal proceedings and claims brought by its customers against our Company for damages. This may affect our Company's relationship with such customers and result in negative publicity which may adversely affect our reputation of the Company. There can be no assurance that there will not be any such claims against our Company in the future.

### **Our ELV solutions rely heavily on our suppliers, and consequently any shortage or delay of supply or defects could materially and adversely affect the quality of our service, thereby damaging our business reputation and adversely affecting our financial results**

We utilise software systems and hardware products from independent vendors to provide our ELV solutions. If there is any shortage of products or material delay in delivery by our suppliers, we may fail to complete our projects or orders on time or at all. If the products of these vendors fail to function properly, our services could be adversely affected. As a result, we may be required to compensate our customers' losses. Further, even if we could identify suitable alternative sources, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected.

### **We rely on members of our Executive Directors and project manager who are critical in our management and operations, and any discontinuance of their present positions would adversely affect our operations and financial results**

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our Executive Directors namely, Dr. Ng and Mr. Law Wing Chong and our project manager, namely Mr. Ling Kee Ho, who is one of our senior management. If any of our Executive Directors and project manager is unable or unwilling to continue in his present positions, we may not be able to identify replacements in a timely manner, or at all. In such event, our business may be severely disrupted and our financial condition and operating results may be materially and adversely affected.

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**Our insurance may not cover every potential loss and claim, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results**

As at the Latest Practicable Date, we have purchased employees' compensation insurance, third party insurance and public liability insurance in relation to our operations. For more details of our insurance policies, please refer to the paragraph headed "Business – Insurance" in this prospectus. However, there is no guarantee that insurance coverage will always be available to us at economically favourable premiums (or at all) or that, in the event of a claim, the level of insurance maintained by us now or in the future is or will be adequate to cover the entire claim/liability. We may be subject to liabilities which have not been insured adequately or at all. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding our insurance coverage, our operations and financial results may be materially and adversely affected.

With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the full amount from the insurer.

**We engage subcontractors to handle some of our installation work. The non-performance, sub-standard and delayed performance of these subcontractors may adversely affect our operations and financial results**

We engaged subcontractors to handle some installation work during the Track Record Period. For the two years ended 31 August 2015 and 2016, we incurred subcontracting costs amounting to approximately HK\$9.0 million and HK\$6.8 million, representing 22.8% and 12.7% of our cost of sales, respectively. For details of our reasons in respect of such outsourcing and our selection and control system over our subcontractors, please refer to the paragraph headed "Business – Outsourcing" in this prospectus.

Outsourcing exposes us to risks such as non-performance, sub-standard and delayed performance by our subcontractors. As a result, we may experience delay in delivering our service and deterioration in the quality of our works, incur additional costs due to the delays, or be subject to liability under the relevant contract. Such events could impact our profitability, financial performance and reputation, and result in litigation and claims.

In addition, if the subcontractors are in breach of any rules and regulations in relation to health and safety matters, it may expose our Group to prosecutions and/or liable to claims for loss and damages. If there is in fact a violation, our operations and therefore reputation and financial position will be adversely affected.

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### **We have high gearing ratio that may expose us to liquidity risk**

Our business operation relies on cash generated from our business operations and bank borrowings and we expect this will be the case in the future. Our gearing ratio was approximately 0.8 times and 1.2 times as at 31 August 2015 and 2016 respectively. Our high level of bank borrowings and gearing ratio may adversely affect our liquidity and business operations, including but not limited to:

- increase our vulnerability under adverse economic condition;
- potentially limit our ability to raise more debt; and
- increase our exposure to interest rate fluctuation.

If we continue to have a high gearing ratio, our exposure to liquidity risk may restrict our ability to make necessary capital expenditure or develop business opportunities in the future, which may adversely affect our results of operations and financial positions.

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

#### **We face significant competition in the ELV solutions industry, and failure to compete efficiently would materially and adversely affect our operations and financial results**

We operate in a highly competitive industry. Some of our competitors, which include a number of local companies, may have stronger brand names, greater access to capital, longer operating histories, longer and more established relationships 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, 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.

Our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise, responsiveness to our customers' preferences and timely completion of relevant contracts to meet our customers' schedules. There can be no assurance that the competition in the ELV solutions industry 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.

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## **RISK FACTORS**

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**We may be unable to keep up with rapid technological changes, which may result in loss of customers, thereby adversely affecting our operations and financial results**

The ELV solutions industry is characterised by rapidly changing technology, frequent introduction and enhancement of new products and services, evolving industry standards, and changing customer requirements. Our future success will depend, in part, on our ability to: (i) adapt to rapidly changing technologies; (ii) continuously improve the know-how of our staff in response to technological advances; and (iii) identify new suppliers of systems/equipment that can advance our ELV solutions. Our Company may not be successful in responding quickly, cost-effectively and adequately to the latest technologies. If we fail to do so, we may lose our clientele, thereby adversely affecting our operations and financial results.

**RISKS RELATING TO HONG KONG**

**The state of economy in Hong Kong may adversely affect our performance and financial condition**

All of our Company's revenue are generated from Hong Kong. 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, 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 may be materially and adversely affected.

**The state of political environment in Hong Kong may adversely affect our performance and financial condition**

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

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### RISKS RELATING TO THE SHARE OFFER

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

Prior to the Share Offer, there was no public market for our Shares. The Offer Price may differ significantly from the market price of our Shares following the Share Offer. We have applied for the listing of and permission to deal in our Shares on GEM. However, even if approved, being listed on GEM does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on GEM. We cannot assure you that an active trading market will develop or be maintained following the completion of the Share Offer, or that the market price of our Shares will not decline below the Offer Price.

The price and trading volume of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, *inter alia*, the following factors, some of which are beyond our Company's control:

- (a) variations in our Company's results of operation;
- (b) success or failure of our Company's management team in implementing stated business and growth strategies;
- (c) gain or loss of an important business relationship(s);
- (d) changes in securities analysts' recommendations, perceptions or estimates of our Company's financial performance;
- (e) changes in conditions affecting the industry, the general economic conditions or stock market sentiment or other events and factors;
- (f) changes in market valuations and share prices of companies that may be listed in Hong Kong;
- (g) additions or departures of key personnel;
- (h) fluctuations in market prices for our services;
- (i) fluctuations in stock market prices and volume; or
- (j) involvement in litigation.

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In addition, shares of other companies listed on GEM have experienced substantial price volatility in the past, and it is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

**Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future**

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of the Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted combined net tangible asset value to HK\$0.028 per Share and HK\$0.035 per Share based on the Offer Price of HK\$0.13 per Share and HK\$0.17 per Share, respectively.

We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations 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 our existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

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

We cannot assure you that our existing Shareholders, including, but not limited to, our Controlling Shareholders, will not dispose of our Shares that they own following the expiration of their respective lock-up periods after completion of the Share Offer. We cannot predict the effect, if any, that any future sales of our Shares by our Controlling Shareholders, or the availability of our Shares for sale by our Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of our Shares by our Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

**There can be no assurance that we will pay dividends in the future**

The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other things, our Company's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend policy, please refer to the paragraph headed "Financial Information – Dividend and dividend policy" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

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### **RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS**

**Investors should read the entire prospectus and should not rely on any information contained in press articles, websites or other media coverage regarding us and the Share Offer**

We strongly caution our investors not to rely on any information contained in press articles, websites or other media regarding us and the Share Offer. Prior to the publication of this prospectus, there may be press, website and media coverage regarding the Share Offer and us. Such press, website and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press, website or media and do not accept any responsibility for any such press, website or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

**Certain facts, forecast and other statistics in this prospectus obtained from publicly available sources have not been independently verified and may not be reliable**

Certain facts, forecast and other statistics in this prospectus have been derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Selling Shareholder, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.