

RISK FACTORS

You should consider carefully all the information set out in this listing document and, in particular, the risks and uncertainties described below before making an investment decision in relation to the Shares. If any of the possible events as described below, or any other risk factors or uncertainties that the Company is unaware of, materialises, the Group’s business, financial position and prospects could be materially and adversely affected and the trading price of the Shares could decline and you may lose all or part of your investment.

RISKS RELATING TO THE BUSINESS OF THE GROUP

A significant portion of the Group’s revenue was generated from contracts awarded by a limited number of customers, and inability to retain business relationships with the existing customers or secure new business may materially and adversely affect the Group’s business and financial performance

For each of the three years ended 31 March 2018, the Group’s revenue amounted to approximately HK\$367.8 million, HK\$501.9 million, and HK\$421.1 million, respectively, of which approximately 84.6%, 91.8% and 92.6% were attributed to the five largest customers, respectively. The Group does not enter into any long-term agreements or master agreements with its existing customers as the Group’s contracts are awarded on a project-by-project basis. During the Track Record Period, the Group secured new businesses mainly through direct invitation for quotation or tender by its customers, and contracts are normally awarded to the Group through a tendering process. There is no assurance that the Group will be able to continue to obtain contracts from its major customers in the future. Also, there may be significant decrease in the number or scale of projects awarded by the Group’s major customers in the future.

If the Group cannot secure new projects from its existing customers and it is unable to obtain suitable projects of a comparable scale and quantity as replacements from other customers, the Group’s financial condition and operating results would be materially and adversely affected. Besides, if any of the Group’s existing customers experiences any liquidity problem, it may result in delays or default in settling progress payments to the Group, which may have a material adverse impact on the Group’s cash flows and financial performance. The Group cannot guarantee that it will be able to diversify its customer base by obtaining significant number of new projects from potential customers.

The Group’s projects are non-recurring in nature and the Group generally has to go through a competitive tendering process to secure new projects. Failure to continuously secure new projects could materially and adversely affect the Group’s sustainability and financial performance

The projects undertaken by the Group are awarded on a project-by-project basis. The Group’s customers are under no obligation to continue to award contracts to the Group and there is no assurance that the Group’s existing customers will continue to engage the Group

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for new projects in the future. The Group generally has to go through a competitive tendering process to secure new projects. The result of such process is beyond the Group’s control, and there is no assurance that the Group can secure new projects from future tender submissions.

As at the Latest Practicable Date, the Group had 31 Design, Supply and Installation Projects on hand and the last expected completion time of such projects is year 2021. The duration of the Group’s Design, Supply and Installation Projects usually ranges from 12 to 24 months. The Group cannot guarantee that it can continuously secure new projects after the completion of all its Design, Supply and Installation Projects on hand.

The number and scale of contracts and the amount of revenue that the Group is able to derive therefrom are affected by a series of factors including but not limited to changes in customers’ businesses, market conditions and the availability of funds on the part of project owners. Consequently, the Group’s revenue may vary significantly from period to period, and it may be difficult to forecast the volume of its future business.

Further, the Group cannot assure that it will be invited to the tender process by its existing and potential customers in the future. The Group also cannot assure that the future projects could be secured with reasonable gross profit margin. If the Group is unable to secure new tenders and be awarded new projects with favorable terms, the Group’s business operations and the financial performance would be materially and adversely affected.

It is critical for the Group to secure new projects at a similar or greater value than its current business level on a continuous basis. In the event the Group is unable to maintain business relationship with existing customers or unable to price its tender or quotation competitively, its business, sustainability and financial performance could be materially and adversely affected.

Changes to the supply and cost of materials, subcontracting fees, and other cost overruns may materially and adversely affect the Group’s operations and profitability

The Group generally determines the price of tender or quotation based on the estimated project costs plus a mark-up margin. The price of a contract would be determined and fixed once it is awarded to the Group. The Group generally carries out internal assessment and budgeting estimates of the various costs, including but not limited to, operating costs, labour costs, procurement and subcontracting costs, when preparing the tender or quotation to customers. However, the actual costs incurred and time spent for completing a project may vary from the estimation due to various factors.

One of the factors which may affect the actual costs of the Group’s projects is the cost of materials. The Group’s cost of materials accounted for approximately 38.4%, 34.0% and 37.5% of the Group’s total cost of sales for each of the three years ended 31 March 2018, respectively. The supply and cost of building materials are affected by macroeconomic conditions, production quantity and cost of such materials. Fluctuation in foreign exchange rate may also affect the Group’s cost of materials since some of the Group’s suppliers are located in the PRC.

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All of the Group’s Design, Supply and Installation Projects are subject to the risks arising from fluctuations in the cost of materials as there is a time lag between the time the Group submits the tender and the time it purchases the materials. Failure to accurately estimate the cost of materials for the projects and any substantial increase in the price of the materials between the time of submission of the tender and the time the Group purchases the materials will therefore substantially increase the Group’s cost of materials. In the event that the cost of materials increases due to the external factors aforementioned, which are out of the Group’s control, the Group’s profitability may be materially and adversely affected.

The Group does not employ any direct labour for installation works, but engages external subcontractors to carry out the on-site installation works. During the Track Record Period, subcontracting and other charges of the Group accounted for approximately 30.7%, 24.3% and 27.6% of the Group’s total cost of sales for the corresponding year, respectively. Such charges may fluctuate from time to time due to changes in, among others, macroeconomic conditions, and the supply and cost of labour in the market. If there is any unexpected and significant increase in subcontracting and other charges due to the abovementioned factors, the actual costs of the project may be greater than the estimated costs, and the Group’s profitability may be materially and adversely affected.

A project may also take a longer time than expected to complete and the risk of cost overruns increases with the duration of a project due to a higher possibility of increases in the cost of materials and labour. In the event that cost overruns occur in the Group’s projects due to the factors including but not limited to the abovementioned, the Group may have to bear such increased project costs, and the profitability and financial performance of the Group may be materially and adversely affected.

The Group is exposed to the credit risk of its customers

The Group is subject to the credit risk of its customers and its profitability and cash flow are dependent on the receipt of payments from its customers in a timely manner. If there is any delay in payment from the Group’s customers, the profitability, working capital and cash flow of the Group may be materially and adversely affected. There is no assurance that the Group will be able to collect all or any of its trade debtors in a timely manner, or at all. As at 31 March 2016, 2017 and 2018, the trade debtors amounted to approximately HK\$5.0 million, HK\$5.4 million, and HK\$62.0 million, respectively. If any of the Group’s customers runs into unexpected situations, including but not limited to, financial difficulties or disputes between the customer and the project owner which in turn affects the timing of the customer’s payment to the Group, the Group may not be able to receive full or any payment of uncollected sums or enforce any judgment debts against such customers. Non-payment or delays in payment by the Group’s customers may materially and adversely affect the Group’s business, financial condition, results of operations and prospects.

Delay or defects of subcontractor’s works would materially and adversely affect the Group’s business operations

The Group engages external subcontractors to carry out on-site installation works. The engagement of subcontractors is subject to certain risks, including but not limited to the difficulties in overseeing the subcontractors’ performance in a direct and effective manner. As

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the subcontractors do not have direct contractual relationships with the Group’s customers, the Group is subject to risks associated with non-performance, late performance or poor performance by the subcontractors. As a result, the Group may experience deterioration in quality of the services, incur additional costs, or even be exposed to liability in relation to the performance of subcontractors, which may materially and adversely affect the Group’s reputation, profitability, and even lead to litigation or damage claims against the Group.

Failure to complete the projects on a timely basis could materially and adversely affect the Group’s reputation and financial performance

A delay in a project will adversely affect the Group’s receipt of progress payments, revenue, operational cash flows and financial performance. The Group is also required to pay its suppliers notwithstanding the delay in project if the purchase orders have been fulfilled, which will adversely affect the Group’s operational cash flows. A delay in a project can be due to various factors, including but not limited to, a shortage of manpower, delays by subcontractors, adverse weather or factors attributable to the main contractor of the construction projects, and other factors which are beyond the Group’s control. If the delay is caused by the Group, the Group is liable to pay damages to the contracting parties as stipulated in the contracts, as well as any additional costs incurred, and the Group’s financial performance and reputation may be materially and adversely affected.

The Group is dependent on suppliers and subcontractors to implement its contracts

As the Group does not sign any long-term contracts with its suppliers and subcontractors, there is no assurance that they will be able to continue to provide materials and services to the Group at prices acceptable to the Group. Also, there is no assurance that the Group can still maintain the relationship with the suppliers and subcontractors in the future. In the event that any of the major suppliers and subcontractors are unable to provide the required materials and services to the Group or the costs for them to provide those required materials and services increase substantially whereas the Group fails to obtain alternative providers on similar or more favourable terms, the Group’s business, results of operation, profitability and liquidity may be materially and adversely affected.

The Group may be subject to defects liability claims and warranty claims in relation to its projects

The Group generally provides a defects liability period ranging from 12 to 24 months from the practical completion of the works for its Design, Supply and Installation Projects, during which the Group is responsible, at its own costs, for remedial works which may arise from any defective works or materials used in relation to the contracted works. Under such circumstances, the remedial works may cause the Group to incur extra expenses which may be substantial.

Further, the Group generally provides a warranty period of 10 to 15 years from the date of practical completion or after the end of the defects liability period of the project, depending on the relevant contract terms. During the warranty period, the Group may be

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subject to potential warranty claims. The Group could be required to rectify, without charge, any defects and deficiencies in the contracted works discovered after the completion of the project. The Group may also have to expend resources to defend itself in the event where claims or legal proceedings are instituted against the Group. Even if the Group can make claims against its subcontractors for the defects in the works performed by such subcontractors, the Group may not be able to fully recover the desired amount from its subcontractors. Thus, the Group may be required to bear the damages to its customers at its own costs and expenses, and the Group’s reputation, business, financial condition and results of operations may be materially and adversely affected.

Loss of the Group’s key personnel could materially and adversely affect the Group’s operations

The Directors believe that success of the Group is, to a large extent, attributable to its Directors and senior management team, and other key personnel. Details of the background and experience of the Directors and senior management are set out in the section headed “Directors and Senior Management” in this listing document. Most of the Group’s Directors and senior management members have been with the Group for over five years, and have made significant contributions to the Group in various key aspects of the Group’s business, including but not limited to maintaining customer relationships, project management, and project execution. The Group also relies on its experienced senior management team to ensure the smooth operation of the Group’s projects. The loss of any Director or senior management member could have a material adverse impact on the Group’s business if the Group is unable to recruit a suitable replacement in a timely manner.

The Group’s success and growth also depends on its ability to attract and retain skilled and qualified key personnel. According to the Ipsos Report, due to the high complexity of facade and curtain wall design and the application and combination of multiple types of construction materials, experienced designers are important for handling such design-related work and preparing the design for tender. Whether a candidate possesses such design engineering experience and is able to deliver feasible designs is also part of the consideration for the main contractors or developers in selecting the most suitable subcontractors. However, the Ipsos Report also noted that there is a shortage in supply of experienced designers in the industry. The Group may face challenges in attracting, recruiting or retaining its staff. Failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could adversely affect the Group’s operations, business and prospects.

The Group’s short-term revenue and profitability may not be indicative of the long-term results of the Group’s business operations

The revenue and profitability for different contracts vary and should the progress payments be higher for a certain financial year, that particular financial year will record better short-term results. Therefore, there is no assurance that the Group’s short-term results of operation will be indicative of the Group’s long-term results of operation.

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Failure to renew requisite licences or qualifications could affect the Group’s ability to obtain new projects

During the Track Record Period, the Group held various licences and qualifications in relation to its business operations, including registration in Hong Kong as a Registered Minor Works Contractor under the minor works control system implemented by the Buildings Department, and registration as a Registered Subcontractor under the Subcontractor Registration Scheme implemented by the Construction Industry Council, and in the PRC, the qualification for certain building decoration and curtain wall projects design and construction in accordance with the criteria implemented by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and its local counterparts, and registration as a customs declaration entity with the Shenzhen Customs, details of which are set out in the sub-section headed “Business – Licences and Permits” in this listing document. Some of these major licences and qualifications have expiry dates. There is no assurance that the Group can renew the licences and qualifications in a timely matter.

In addition, the licences and qualifications are subject to continued compliance with standards relating to, among other things, financial capability, expertise, management and safety. If the Group fails to comply with the applicable requirements or conditions, the related licences and qualifications may be downgraded, suspended or cancelled. Delay or refusal may occur when renewing such licences and qualifications upon expiry. Although certain registrations, such as being a Registered Subcontractor under the Subcontractor Registration Scheme, are not compulsory, the Group may not be able to tender for certain projects or undertake certain works if it does not possess such licences or qualifications, and it may also affect the competitiveness of the Group in relation to other service providers in the market. Failure to maintain or renew the existing licences and qualifications could affect the Group’s ability to secure new projects, which in turn, could materially and adversely affect the Group’s operation and financial performance.

The Group’s cash flows may fluctuate due to the payment practice applied to the projects

During the Track Record Period, the Group derived most of its revenue from its projects in Hong Kong. In general, such projects are subject to progress payments and the customers do not make any prepayments upon the beginning of the projects. The progress payment is subject to the Group’s on-site delivery of finished products, beginning of the installation and practical completion. Nevertheless, the Group will incur costs including but not limited to purchasing materials from the suppliers, rental costs for machineries, settlement of workers’ salary and subcontractors’ fees before receiving payment from customers.

Accordingly, the cash flow of a particular project will turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. The Group undertakes 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. Should the mix of the projects be such that more projects are at the initial stage, the Group’s corresponding cash flow position may be materially and adversely affected.

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Failure to acquire adequate capital could delay the execution of new projects and prevent the expansion of the Group’s business, which could materially and adversely affect the Group’s business, financial performance and results of operations

The Group expects the execution of new projects and the business development in the future will require a significant capital. There is no assurance that the required capital can be obtained through equity or debt financing on acceptable terms or sufficient cash flow can be generated from the Group’s operations to meet the cash requirements. Furthermore, the capital requirements may vary materially from those currently planned. Failure to obtain additional capital on acceptable terms may delay or prevent the expansion of the Group’s business or force it to forego project opportunities which could materially and adversely affect the Group’s business, financial performance and results of operations.

The Group may be exposed to disputes, claims and litigation

The Group may be exposed to claims or disputes with customers, suppliers, subcontractors, workers and other parties involved in the projects from time to time. Claims against the Group may result from, among others things, the late completion of works, defects in the contracted works, personal injuries, and employees’ compensation, resulting in the Group having to incur significant amounts in rectifying such defects or settling such claims.

As at the Latest Practicable Date, the Group was involved in two ongoing legal proceedings related to employee compensation and/or personal injury claims, and there were five cases of workplace injuries in respect of which no claims have been filed yet. For details, please refer to the section headed “Business – Litigation and potential claims” of this listing document.

Any such claims and potential claims may lead to time-consuming and costly litigation, arbitration, administrative proceedings or other legal procedures. Expenses incurred in legal proceedings may have material and adverse impact on the Group’s financial situation. Further, the unfavourable result in judgment or findings would harm the Group’s reputation, which in turn, could materially and adversely impact the Group’s business operations.

The Group’s future business plan may not be implemented successfully

The future business plan of the Group is prepared by the Directors by reference to the expected prospects of the construction industry in Hong Kong, and thus, the Group’s business plan is based on certain assumptions. The successful implementation of the Group’s business plan may be affected by various factors including but not limited to the availability of sufficient funds, government policies, the economic environment and the Group’s capacity for maintaining its existing competitive advantages. There is no assurance that the Group’s business plan would be successfully implemented in the future. Should there be any material adverse change in the operating environment, the Group’s business operations may be materially and adversely affected.

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The Group’s insurance may not cover all the Group’s potential losses and claims

The Group is generally covered by employees’ compensation insurance and contractors’ all risks insurance to cover claims in connection with personal injuries or damage to property due to accidents at the construction sites of the Group’s projects. However, the Group may become subject to liabilities against which it is not insured adequately or at all. Should any significant property damage or personal injury occur in the construction sites or to the employees due to accidents, natural disasters, or similar events which are not wholly or partially covered by insurance, the Group’s business may be materially and adversely affected, potentially leading to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

There is no assurance that the current levels of insurance maintained by the Group are sufficient to cover all potential risks and losses. If the Group faces any operating risks resulting from any of the aforesaid events in relation to the failure to purchase insurance, the Group may bear a substantial cost and experience a loss. In addition, the insurers will review the policies each year and there is no guarantee that the Group can renew the policies or can renew on similar or other acceptable terms. If the Group suffers from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on the business, financial position, results of operations and prospects.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

Changes in the construction industry in Hong Kong could adversely affect the operating performance of the Group

During the Track Record Period, the Group’s revenue was mainly derived from the Group’s projects in Hong Kong. The Group’s customers are primarily main contractors and property developers. The number of projects awarded to the Group is highly dependent on, among other things, the investment of property developers and the prospects of the Hong Kong economy. The future growth and level of profitability of construction industry in Hong Kong are likely to depend upon the continued availability of major construction projects. A downturn in the Hong Kong construction industry is likely to result in the possibility of postponement, delay or cancellation of construction projects and delay in recovery of receivables, which would have material and adverse impact on the Group’s business and profitability.

Furthermore, the government’s plans on land and housing development could delay property and infrastructure development and cause a corresponding reduction in the demand for curtain walls, aluminium windows and doors, which would have a direct impact on the Group’s business operations and financial performance.

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The construction industry in Hong Kong has been facing the problem of rising construction costs, including the costs of construction materials and construction workers

The costs of construction materials have generally increased over the past few years. The general increases in construction material prices are affected by, amongst other factors, the strong construction demand. In addition, the construction industry in Hong Kong is suffering from labour shortage, which is exacerbated by an ageing workforce and the lack of skilled talent. This is mainly due to the growing construction industry in Hong Kong and the shortage of experienced and skillful labour as a number of skilled construction workers are approaching the age of retirement while young people are reluctant to join the construction industry. As a result of the shortage of construction workers and the implementation of minimum wage, the average wage of construction workers in Hong Kong keeps increasing. In view of the potential increase in the cost of construction workers and construction materials, the Group’s business operations and financial conditions could be materially and adversely affected.

Personal injuries, property damages or fatal accidents may occur at construction sites

Notwithstanding the occupational health and safety control measures implemented by the Group, accidents leading to personal injuries, property damages and/or fatal accidents remain an inherent risk at construction sites. In addition, there is no assurance that there will not be any violation of the Group’s safety measures or other related rules and regulations by workers. Any such violation may lead to higher probability of occurrences, and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at construction sites, which may materially and adversely affect business operations as well as financial position to the extent not covered by insurance policies.

The Group operates in a competitive industry

The construction industry in Hong Kong has a number of participants and is competitive. Occasionally, new participants could enter the industry if they have the appropriate skills, local experience, necessary business network and capital and are granted the requisite licences by the relevant regulatory bodies. The Group faces competition from other contractors in the submission of tender for project contracts. Increased competition may lead to lower profit margins and loss of market share, and materially and adversely impact on the Group’s profitability and operating results.

Changes in existing laws and regulations may affect the Group’s operating costs and profitability

The laws and regulations relevant to the operation of the Group’s business may change from time to time, such changes may include but not limited to licensing and qualification requirements, labour safety and environmental requirements and regulations. Any such changes may result in the Group incurring additional costs. If the Group fails to meet the changes in laws and regulations in a timely manner, the Group’s reputation, business operations and financial performance may be materially and adversely affected.

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RISKS RELATING TO THE SPIN-OFF AND THE SHARES

There has been no prior public market for the Shares and there can be no assurance that an active trading market will develop

Prior to the Listing, there was no public market for, and no established price for, the Shares. The Company has made an application for the listing of, and permission to deal in, the Shares on the Stock Exchange. The Listing, however, does not guarantee that an active public market for the Shares will develop or, if it does develop, that it will be sustained following the Listing or that the market price of the Shares will not fluctuate following completion of the Listing. The price and trading volume of the Shares may be volatile. Factors including but not limited to the actual or anticipated fluctuations in the results of the Group’s operations, potential litigation or regulatory investigations, general economic, market or regulatory conditions or other developments affecting the Group or the Group’s industry, may affect the volume and price at which the Shares will trade.

Shareholders’ interests may be diluted as a result of additional equity fund-raising or additional Shares issued by the Group in the future

The Group may need to raise additional funds in the future to finance further expansion of its business. If additional funds are raised through the issuance of new equity or equity-linked securities of the Group other than on a pro rata basis to existing Shareholders, the percentage shareholding of the then Shareholders may be diluted or reduced or such new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

There is no assurance that the Company will pay dividends on the Shares in the future

The Company is the holding company of the Group, and thus, the Company’s operating results and its financial situation depend on the performance of its subsidiaries. Therefore, the Company’s ability to pay dividends is subject to the level of distributions, if any, received from the subsidiaries. The ability of the subsidiaries to make distributions to the Group may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws and regulations, fiscal or other restrictions of countries in which the subsidiaries operate.

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The declaration, payment and amount of any future dividends are also subject to the discretion of the Board. The Board’s decision making on dividends may refer to, among other things, the Group’s earnings, financial condition, cash requirements, the provisions governing the declaration and distribution as stated in the Articles of Association, applicable laws and other relevant factors. There is no guarantee that the Company will pay dividends to its investors in the future.

Investors may face difficulties in protecting their interests under the laws of the Cayman Islands

The rights of the Shareholders to take actions against the Directors and the rights of the minority shareholders to take actions against the Company and the duties of the Directors towards the Company and the Shareholders are governed by the common law of the Cayman Islands and the Articles of Association. In general, the Company is governed by, amongst other things, the laws of the Cayman Islands, the Articles of Association and the Companies Law. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ from the legal position for minority shareholders of companies incorporated in Hong Kong and in other jurisdictions. For further details, please refer to the section headed “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix IV to this listing document.

RISKS RELATING TO THIS LISTING DOCUMENT

There is no assurance as to the accuracy of facts and statistics contained in this listing document with respect to the economics and the industry

Certain facts, statistics, and data presented in the section headed “Industry Overview” and elsewhere in this listing document 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. Neither the Group, the Directors, the Sponsor, nor any parties involved in the Spin-off has independently verified, or makes 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.

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Investors should read the entire listing document and the Group strongly cautions investors not to place any reliance on any information contained in press articles, other media and/or research reports regarding the Group, its business, its industry or the Spin-off

There may be press and media coverage regarding the Group or the Spin-off, which may include certain events, financial condition and other information about the Group that do not appear in this listing document. The Group has not authorised the disclosure of any other information not contained in this listing document. The Group does not accept any responsibility for any such press or media coverage and makes no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications is inconsistent or conflicts with the information contained in this listing document, the Group disclaims responsibility for it and accordingly, Shareholders and prospective investors should not rely on any such information.

The Group’s future results could differ materially from those expressed or implied by the forward-looking statements

This listing document contains various forward-looking statements that are based on various assumptions, and are indicated by the use of forward-looking terminology such as “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” or similar expressions. However, the future results could materially differ from those expressed or implied forward-looking statements. The inclusion of forward-looking statements in this listing document should not be regarded as representations of the Group that the plans and objectives will be achieved, and if the Group fails to achieve the objectives as planned, the business and financial condition of the Group may be adversely affected.