

RISK FACTORS

You should consider carefully all the information set out in this document and, in particular, the risks and uncertainties described below before making an investment in the [REDACTED]. The occurrence of any of the following events could harm us and our Group’s business, financial condition or results of operations could be materially and adversely affected by any of these risks. If these events occur, the [REDACTED] of the [REDACTED] could decline and you may lose all or part of your investment.

Our Group believes that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorized in the following manner:

RISKS RELATING TO BUSINESS AND OPERATIONS OF OUR GROUP

Our Group’s business is project-based. The types of projects we carry out will vary and, in turn, our revenue mix may vary from time to time. Fee collection and profit margin depend on the terms of the quotation and may not be regular

Our Group’s business is project-based. Our Group’s services cover a wide range of services including millwork and furniture provision, facade development and fabrication, interior solutions and design and project consultancy, which can be individually or collectively engaged by our clients according to their needs for each individual project.

During the Track Record Period, our Group recorded overall gross profit margin of approximately 27.0%, 32.6% and 33.9% for the three years ended June 30, 2013, 2014 and 2015 respectively. For details, please refer to the section headed “Financial Information — Combined Statements of Comprehensive Income”. Fee collection and profit margin significantly depend on various factors, such as the proposed budget of our clients, the terms of the quotations, the length of the project, the efficiency of implementation of the work and the general market conditions. As a result, the income flow of the business of our Group is irregular and is subject to various factors beyond the control of our Group. As such, there can be no assurance that the profitability of a project can be maintained or estimated at any particular level. Furthermore, the fee collection by our Group, the profit margin and time for profit recognition depend on the terms of the fee quotation and may also not be regular.

The duration of our projects with our clients varies and they do not have long term commitments with us

During the Track Record Period, majority of the duration of our projects ranged from 5 to 22 weeks. Our financial performance will continue to depend on (i) our ability to secure projects from our clients, (ii) the financial condition and commercial success of our clients and (iii) factors that affect the global economy in general. The duration of our projects varies and we cannot guarantee that our clients will engage us for new business after completion of the current projects. In particular, we cannot assure that we will be able to maintain or improve our relationships with our major clients and any of them may terminate their respective relationships with us as they do not have long-term commitments with us. Any decrease in the number of projects or amount of fees obtained from our clients could have an adverse effect on our operations and profits. In addition, there is no assurance that we can enlarge our client base.

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There is no assurance that our clients will pay the retention money in full after project completion or the expiry of any defect liability period

For our interior solutions projects, a portion of the fees, representing approximately 5% to 10%, may be withheld by our clients as retention money and will be released after the expiry of any defect liability period, which generally lasts for three to twelve months. There can be no assurance that retention money is paid to us on time and in full. Any failure by our clients to pay us on time and in full may affect on our future financial position.

Project delays may cause us to incur penalties and additional costs, to experience delays in receiving payments and our business and reputation may be affected

We are typically required to complete each project according to a fixed schedule by an agreed date as stated in the relevant quotations. If we fail to timely complete a project, we may be liable to compensate our client for losses or damages caused by the delay. Any delay in the completion of a project, whether or not caused by us, could also lead to additional costs being incurred, including costs to hire additional manpower and to provide temporary storage for assembled products. As we typically receive payment in stages based on project progress, any delay in the course of a project may postpone our receipt of anticipated payments which could have a material adverse effect on our cashflow position. Although during the Track Record Period and up to the Latest Practicable Date, we have been able to complete our projects within the timeframe and have not incurred penalties or additional costs as a result of delay in the completion of our projects, there is no assurance that such project delays will not happen in the future. Any failure on our part to timely complete a project could harm our reputation in the industry and hinder our ability to win future business and as a result, our reputation, business and financial performance of operation could be materially and adversely affected.

If we fail to meet a specified technical standard, we may have to incur additional costs to remedy the defect for our clients, and our reputation and business could suffer

Our clients typically require us to commit to technical standards such as design, safety or functional requirements. We may be required to rectify any defects under the terms of our quotations or product warranty, which could require us to incur significant additional costs. Any such work defect could also harm our reputation, which could hinder our ability to win future business. Moreover, a severe technical defect could lead to incidents of personal injuries or property damages, which could result in expensive and time-consuming litigation and damages payments. Although historically we did not fail to meet the specified technical standards for our services and products, there is no assurance that such failure will not occur in the future. If any of the foregoing events occur, our business and financial performance could be materially and adversely affected.

We depend on our suppliers and contractors to complete our projects and to implement measures or procedures during the execution of our projects

In the course of our operations, we engage suppliers and contractors to provide certain services. We have established a system with respect to the selection and control of suppliers and contractors, including maintaining an updated list of contractors and suppliers and placing purchase orders to them to set forth each party's rights and obligations. However, there is no assurance that we will be able to monitor the performance of these suppliers and contractors as directly and efficiently as with our own staff. In addition, suitable suppliers and contractors may not always be readily available when we

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require their service. For any given project, workers from different trades with different skills may be required. Our ability to complete projects could be impaired if we are unable to engage suitable suppliers and contractors. If a contractor fails to provide services as required under a contract, we may need to source these services on a delayed basis or at a higher replacement cost than anticipated, which may have adverse impact on our profitability. If the performance of a supplier or contractor does not meet our standards, the quality of the project may be affected, which could harm our reputation and expose us to litigation and damage claims. In addition, industrial action or strike of any one trade will also affect the progress of our projects. In the event of the occurrence of any industrial actions or strike, such as those demanding for higher wages or shorter working hours, our profitability and financial performance may be adversely affected.

We may not be able to implement business strategies effectively to drive our growth

In light of the competitive environment of the high-end interior design industry, our ability to continue to grow our business will increasingly depend on our continuing ability to successfully implement our business strategies, which include enhancing relationships with our existing customers and tapping into new markets globally, expanding our design and creative team, setting up overseas subsidiaries for the purpose of sales and marketing, as well as selectively pursuing acquisition and partnership opportunities. There can be no assurance that we will successfully implement our strategies, or that our strategies, even if implemented, will result in achieving our objectives. Consequently, if we fail to effectively implement our business strategies, our business, results of operations and financial position may be materially and adversely affected.

Our insurance policies may not be sufficient to cover liabilities arising from claims and litigation. The insurance premium payable by our Group may be increased

Although we consider that our insurance coverage is in line with industry standard, we may receive claims in respect of various matters from our clients, contractors, suppliers, workers and other parties concerned with the projects from time to time. As the outcome of any claim is subject to the relevant parties’ negotiation or the decision of the court or the relevant arbitrating authorities, the result of any of the outstanding claims may be unfavorable to us. There is no assurance that our current insurance will sufficiently protect us against all liabilities arising from such potential claims. In addition, there is no guarantee that our insurance premium, which is dependent on various factors such as the scope and value of the project and our insurance claim records, will not increase in the future. If we were held liable for uninsured losses, or the amounts of claims for insured losses exceed the limits of our insurance coverage, or the insurance premium increases significantly, our business and financial condition will be materially and adversely affected.

Our success is dependent on the retention of key management personnel

Our success and growth has largely been attributed to the contributions and experiences of our key management personnel and, in particular, their familiarity with our clients’ culture and business. The executive Directors and most of the senior management have had a long history of working with our clients and understand their needs and requirements. They also have a well-established relationship with our contractors and suppliers. As competition for such personnel is intense, any failure to recruit and retain the necessary management personnel at any time could harm our business and prospects.

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There is a limited pool of qualified and high-quality candidates and any failure to retain and recruit qualified professionals may adversely affect our business and growth

There is a limited pool of high-quality candidates who have the skills, know-how and experience required for our business. As the quality of our design and technical employees is key to our business, attracting and retaining talent is an essential component of our business strategy. We may have to offer better salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to maintain our operation and growth, which may increase our costs and reduce our profit margin. We cannot assure you that we will be able to retain our existing designers and technical staff and recruit additional qualified professionals to support our future operations and growth. Any failure to do so may adversely affect our business and growth.

Non-renewal of, or delay in obtaining licenses may have a material adverse effect on our operations

It is a pre-requisite for us to obtain certain licenses from various governmental or regulatory authorities in order to carry on our business. For details, please see the section headed “Business — Key License”. However, these licenses are subject to periodic review and renewal by the relevant government authorities. In addition, should there be any subsequent modifications of, or additions or new restrictions to the current compliance standards, it would impose an additional burden on us which may in turn adversely affect our business, financial condition and results of operations. Although we have obtained all necessary licenses required for our operations, there is no assurance that we can continue to renew or that we will not experience any delay in obtaining all necessary licenses in the future. Any of such events occurring in the future may have a material adverse effect on our operations. Non-renewal of, or delay in obtaining, our licenses and failure to maintain our qualifications, may have a material adverse effect on our business, financial condition and results of operations. There may be a possibility that we will not be able to carry on our business without such licenses being granted or renewed or that the delay in obtaining the same may increase the cost or delay the progress of our projects.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the U.S., the United Nations, the EU, Australia and other relevant sanctions authorities

The U.S. and other jurisdictions or organizations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting the Sanctioned Countries. During the Track Record Period, we provided furniture to our clients’ stores located in certain of the Sanctioned Countries, namely, Lebanon and Russia (where certain Sanctioned Persons are located), and our revenue derived accounted for approximately 0.1%, 0.1%, 4.6% and nil of our total revenue for each of three years ended June 30, 2015 and the six months ended December 31, 2016, respectively. We may continue to carry out such business activities from time to time in connection with such Sanctioned Countries and Russia (where certain Sanctioned Persons are located). For details of the business operations in the Sanctioned Countries and Russia (where certain Sanctioned Persons are located), please refer to “Business — Business activities in Lebanon and Russia”.

We undertake to the [REDACTED] that we will not use the [REDACTED] from the [REDACTED], as well as any other funds raised through the [REDACTED], to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries, Russia

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(where certain Sanctioned Persons are located), or Sanctioned Persons or any other government, individual or entity sanctioned by the U.S., the EU, the United Nations, Australia or Hong Kong, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the [REDACTED] that we will not enter into sanctionable transactions that would expose us or the relevant persons to risks of being sanctioned. If we breach any of these undertakings to the [REDACTED] after the [REDACTED], it is possible that the [REDACTED] may [REDACTED] our Shares. In order to ensure our compliance with these undertakings to the [REDACTED], we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, please refer to “Business — Business activities in Sanctioned Countries — Our undertakings and internal control procedures”.

We will also seek to prevent our transactions in relation to the Sanctioned Countries and Russia (where certain Sanctioned Persons are located) from being subject to sanctions under the laws of the U.S., the EU, the United Nations, Australia or Hong Kong, and avoid doing business with any Sanctioned Persons. However, to the extent such sanctions are imposed on our Company, our business and Shareholders’ interests could be affected. We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the EU, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries, Russia (where certain Sanctioned Persons are located) and/or with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the [REDACTED], or our Shareholders or [REDACTED] to violate or become a target of sanctions laws of the U.S., the EU, the United Nations, Australia or Hong Kong. However, we cannot provide any assurance that our future business will be free of risk under sanctions implemented in these jurisdictions or that our business will conform to the expectations and requirements of the U.S. authorities or the authorities of any other government that do not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the authorities of the U.S., the EU, the United Nations, Australia or any other jurisdictions were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programs are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain U.S. state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries and with Sanctioned Persons could also reduce the marketability of the [REDACTED] to particular [REDACTED], which could affect the price of our [REDACTED] and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the [REDACTED] to dealings with sanctioned parties. Before [REDACTED] in our [REDACTED], you should consider if such [REDACTED] would expose you to any of the U.S., the EU or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your [REDACTED] in us.

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We may be a party to various legal proceedings from time to time and we cannot assure you that such legal proceedings will not have a material adverse impact on our business

We may be subject to claims for personal injury and property damage arising in connection with our projects. We may also become involved in proceedings relating to, among other things, warranty, indemnification or liability claims, contractual disputes with clients or contractors, labor disputes, workers’ compensation, and safety, environmental or other legal requirements. Legal proceedings can be time-consuming, expensive, and may divert our management’s attention away from the operation of our business. In addition, we may be involved in legal proceedings in foreign jurisdictions where our projects are located and court procedures in such jurisdictions with which we are not familiar. Legal proceedings in foreign jurisdictions may be more unpredictable because of our unfamiliarity with local laws, higher travelling expenses and other disadvantages. The legal proceedings to which we are a party or may in the future become a party may have a material adverse impact on our business.

Any future natural disaster, health epidemics or terrorist attacks may adversely affect our operational results

Our business is subject to general economic and social conditions in the regions where we operate. Natural disasters, epidemics, terrorist attacks and other acts of God, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of people in the regions where we operate. Some regions and the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought or epidemics such as Severe Acute Respiratory Syndrome, or SARS, or H5N1 avian flu. Past occurrences of epidemics and terrorist attacks, depending on their scale, have caused different degrees of damage to the international and local economies employees are suspected of having SARS, H5N1 avian flu, H1N1 human swine flu or any other epidemic or any of our facility are identified as a possible source of spreading such epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that had come into contact with those employees. Any quarantine or suspension of our operations will affect our operational results. Any outbreak of epidemics, such as the H5N1 avian flu or the H1N1 human swine flu, or terrorist attacks may result in material disruptions to our operations and delays in meeting our clients’ orders, which in turn could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE INDUSTRY

Our business is dependent on the luxury goods sector

The majority of our clients are world famous high-end luxury brands. In recent years, the slowdown of economic growth in the PRC and other major economic zones, as well as the weakness of the economic recovery in Europe, has resulted in continued uncertainty regarding global economic prospects. An actual or anticipated further deterioration of global economic conditions may depress the demand for luxury goods that would have a negative impact on the expansion or renovation plans of our clients. If the luxury goods industry experiences a downturn in the future, we will face pressure to reduce fees scale to maintain competitiveness, and our operating results and financial condition may be materially and adversely affected.

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Luxury brands may reduce reliance on physical stores

The rent for commercial stores in the major cities worldwide have been increasing over the last decade. The pressure of heightening rental expenses forces luxury brands to adopt certain retrenchment strategy by closing their stores and delaying their expansion plans. Furthermore, electronic commerce has been growing at a rapid pace over the last decade. Luxury goods can now be purchased from third party online retailers or directly from the brands’ online platforms. In light of the foregoing, our clients may reduce their reliance on physical stores or suspend their expansion plans, which may have a material impact on our future financial performance.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

There has been no prior [REDACTED] market for the [REDACTED] and the [REDACTED] of the [REDACTED] may be volatile

Prior to the [REDACTED], there is no [REDACTED] market for the [REDACTED]. The [REDACTED] of, and the permission to deal with, the Shares on the [REDACTED] do not guarantee the development of an active [REDACTED] market or the sustainability thereof following completion of the [REDACTED]. Factors such as variations in our Group’s turnovers, earnings and cash flows, strategic alliances or acquisitions made by our Group or its competitors, industrial or environmental accidents happened to our Group, loss of key personnel, litigation, fluctuations in the market prices for raw materials, the liquidity of the market for the Shares, the general market sentiment could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group’s control and unrelated to the performance of our Group’s business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, [REDACTED] may not be able to sell their [REDACTED] at or above the [REDACTED].

[REDACTED] may experience dilution if our Group issues additional Shares in the future

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

Any disposal by our Controlling Shareholders of a substantial number of Shares in the [REDACTED] market could materially and adversely affect the market price of the Shares

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

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[REDACTED] may experience difficulties in enforcing their shareholders’ rights because our Company was incorporated in the Cayman Islands, and the protection to minority shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

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

Future issues, offers or sale of Shares may adversely affect the prevailing [REDACTED] of the [REDACTED]

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing [REDACTED] of the [REDACTED]. We cannot give any assurance that such event will not occur in the future.

Statistics and industry information contained in this document may not be accurate and should not be unduly relied upon

Certain facts, information, statistics, and data presented in the section headed “Industry Overview” in this document and elsewhere in this document relating to the industry in which we operate have been derived, in part, from various publications, industry-related sources prepared by government officials or independent third parties and a market research report commissioned by us and prepared by Frost & Sullivan, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sole Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this document. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, neither our Group, our Directors, the Sole Sponsor, nor any parties involved in the [REDACTED] have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources are prepared on a comparable basis or that such information and statistics are stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly, such information and statistics may not be accurate and should not be unduly relied upon.

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

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

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[REDACTED] should read this entire document carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the [REDACTED] including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this document, there may be press or other media, which contains certain information referring to us and the [REDACTED] that is not set out in this document. We wish to emphasize to potential [REDACTED] that neither we nor any of the Sole Sponsor, the [REDACTED], the Underwriters, our Directors, officers, employees, advisors, agents or representatives of any of them, or any other parties (collectively, the “**Professional Parties**”) involved in the [REDACTED] has authorized the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorized by us or any of the Professional Parties. Neither we nor any of the Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. 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 not contained in this document or is inconsistent or conflicts with the information contained in this document, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to subscribe the [REDACTED]. You should rely only on the information contained in this document and the [REDACTED].