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## RISK FACTORS

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*Potential 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 the Company before making any investment decision in relation to the Company. 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 prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO THE GROUP

#### **Reliance on natural resources valuation and technical advisory services**

The Group has been expanding its business rapidly due to the expansion of its natural resources valuation and technical advisory services and intends to continue to do so. During the Track Record Period, the Group focused mainly on the provision of natural resources valuation and technical advisory services. The natural resources valuation and technical advisory services contributed revenue of approximately HK\$21.6 million and HK\$9.9 million to the Group, representing approximately 72.7% and 68.7% of the Group's total revenue for the financial year ended 31 March 2012 and the four months ended 31 July 2012 respectively. It is the Group's current intention to continue to focus on natural resources related services in the coming years and therefore changes in investors' preference from natural resources to any other sectors, together with, among others, significant increase in expenses to be incurred by the Group as a result of business expansion in natural resources related services including the recruitment of geologists and upgrading of professional software for the natural resources industry will adversely affect the Group's growth prospects and financial position. Further, the Group's future success will depend in part on its ability to manage its growth in natural resources valuation and technical advisory services efficiently and effectively. Since the Group only has a limited operating history, there may not be an adequate basis upon which to evaluate the Group's future operating results and prospects. Should the Group continue to focus and rely on the provision of natural resources valuation and technical advisory services and the revenue from such natural resources valuation and technical advisory services drops significantly, the profit of the Group may be adversely affected.

#### **The Group relies on its management team and other key personnel in operating its business**

The Group's success relies, to a significant extent, on the experience and knowledge of the Group's professional staff and senior management, details of which are set out under the paragraph headed "The professional team of the Group" in the section headed "Business" in this prospectus. The Group cannot prevent staff from terminating their respective contracts in accordance with the relevant agreed conditions nor can the Group prevent staff from leaving and setting up business in competition with the Group. It may be costly and time-consuming to find suitable replacements for the Group's key personnel, particularly experienced geologists and mining experts as suitable candidates are scarce in the market. The loss of the services of one or more members of the Group's key personnel due to their departure or other reasons, if the Group fails to replace any vacancy by recruiting new competent personnel with relevant experience and knowledge in the market, and/or employees leaving and setting up business in competition with the Group could adversely and significantly affect the Group's operation

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and financial position. Although each member of the senior management has given a non-competition undertaking in favour of the Group, nevertheless, it may be difficult to prove a breach of these restrictive covenants which in the end could affect the Group's financial performance and operations.

In June 2010, revisions to Chapter 18 of the Main Board Listing Rules and Chapter 18A of the GEM Listing Rules became effective whereby mineral companies listed or to be listed on the Stock Exchange are required to incorporate Competent Person's Reports or both Competent Person's Reports and Natural Resources Valuation Reports in their circulars and listing documents. Details of these requirements are set out in the paragraph headed "Natural resources valuation and technical advisory services" in the section headed "Industry overview" in this prospectus. Pursuant to the requirements of the Main Board Listing Rules and the GEM Listing Rules, all real estate valuation reports issued thereunder must be prepared by qualified surveyors. As at the Latest Practicable Date, there were (i) one employee of the Group who had met the mandatory requirements of both Competent Person and Competent Evaluator for providing natural resources valuation and technical advisory services and acted as the Competent Person and the Competent Evaluator for one Competent Person's Report and one Natural Resources Valuation Report both relating to gold, iron and nickel-copper mines issued in April 2012; and (ii) one employee of the Group who had met the mandatory requirements of Competent Evaluator for providing natural resources valuation services and acted as the Competent Evaluator for one Natural Resources Valuation Report relating to gold mines issued in September 2012. There was also one employee of the Group who had met the mandatory requirements for providing real estate valuation services in Hong Kong as at the Latest Practicable Date. Therefore, should they cease to be involved in the Group's business and the Group fails to engage suitable independent professionals for the relevant projects, the Group's business and, indirectly, its financial results may be adversely affected.

In strengthening its natural resources related professional team, Mr. Mensah, Mr. Jones and Mr. Hodgson had been recruited by the Group respectively in December 2011, April 2012 and September 2012. Each of them has over ten years' experience in the mining industry. In particular, Mr. Jones has acted as both Competent Person and Competent Evaluator and Mr. Mensah has acted as a Competent Evaluator and a peer reviewer collaborating with a Competent Person. Mr. Hodgson has acted as a competent person and a qualified person in accordance with the JORC Code and NI 43-101 respectively and a peer reviewer collaborating with a Competent Evaluator. Other than the said geologists, the Group assembled a panel of independent professional geologists comprising three members; one of the members has acted as a Competent Person and one has acted as a Competent Evaluator.

A material contribution to the Group's revenue for the two financial years ended 31 March 2011 and 2012, and the four months ended 31 July 2012 came from the provision of natural resources valuation and technical advisory services, an area in which the Group's current intention is to continue to focus on in the coming years. The Group's reliance on Mr. Hodgson, Mr. Jones and Mr. Mensah to sign off and to be involved in those projects is therefore significant. Thus, the loss of all of their services without timely replacements could have a material adverse impact on the Group's ability to continue to provide natural resources valuation and technical advisory services.

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### **The Group relies on independent professionals**

The Group engages independent professionals on a project-by-project basis from time to time to work alongside the Group's professional team to perform natural resources valuation and technical advisory, real estate valuation and other services. These independent professional or teamhead with relevant experience and qualification will supervise the work performed and review the draft valuation model and/or draft report prepared by the Group's professional team and also provide comments from a professional point of view. Another teamhead and/or professional staff with relevant experience and qualification not involving in the project will act as peer reviewer on a project-by-project basis to conduct peer review on the draft valuation model and/or draft report prepared by the Group's professional team. The peer reviewer will also review and discuss the works prepared by the independent professionals to ensure that they fully comply with the relevant professional standards and/or guidelines, and/or the Group's best practice guidelines for natural resources related projects, and to reduce the Group's exposure to the risks of professional liability. The work performed and the relevant reports signed-off by the independent professionals would be relied upon by the Group in providing services to its clients. The Group engaged 7, 14 and 8 independent professionals and incurred total service fees of approximately HK\$1.2 million, HK\$2.6 million and HK\$0.8 million for such independent professionals for the two financial years ended 31 March 2011 and 2012, and the four months ended 31 July 2012 respectively. For these 7, 14 and 8 independent professionals, they were involved in 116, 30 and 15 projects undertaken by the Group for the two financial years ended 31 March 2011 and 2012, and the four months ended 31 July 2012 respectively and the total revenue generated therefrom amounted to approximately HK\$27.7 million, HK\$9.4 million and HK\$2.2 million respectively, representing approximately 72.5%, 31.6% and 15.3% of the Group's total revenue for each of the two financial years ended 31 March 2011 and 2012, and the four months ended 31 July 2012 respectively. Notwithstanding that, as at the Latest Practicable Date, the Group's professional team possessed the relevant experience, qualifications and knowledge, save for testing and certification of various minerals which are generally outsourced to external laboratories, to conduct all the valuation and technical advisory services completed by the Group during the Track Record Period. The Group may continue to engage independent professionals and its reliance on the work performed and the reports signed-off by the independent professionals may carry risks of professional liability. The Group has not been subject to nor received any claims resulting from projects involving independent professionals during the Track Record Period and up to the Latest Practicable Date. In the event that the Group fails to engage suitable independent professionals for some of its projects when required, the Group's financial results may be adversely affected. Although the Group will use its reasonable endeavours to conduct background and experience checks on potential independent professionals prior to their engagement, it may not be able to ensure the accuracy, reliability and quality of the works of such third party service providers. In the event that the reports and/or valuations provided by those service providers turn out to be inaccurate, misleading or wrong in any material respect, the Group may suffer loss and be exposed to litigation risk as a result of actions taken by the Group's clients and/or those who have relied on such information, against the Group. As a result, the Group's financial results may be adversely affected.

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**The Group's business could be affected by the Stock Exchange's view on the quality of the Group's reports which are subject to the Stock Exchange's review and clearance and the difficulties in clearing them timely**

The Group's business comprises, among others, issuing valuation and other reports including Competent Person's Reports and Natural Resources Valuation Reports that are subject to review and clearance by the Stock Exchange. In the two financial years ended 31 March 2011 and 2012, and the four months ended 31 July 2012, the Group's reports which were subject to review and clearance by the Stock Exchange accounted for approximately 22.0%, 31.4% and 17.3% respectively of the Group's total revenue. In particular, the Group's revenue generated from natural resources valuation and technical advisory services involving the preparation and/or issue of 28 Competent Person's Reports and Natural Resources Valuation Reports which were subject to review and clearance by the Stock Exchange during the Track Record Period and up to the Latest Practicable Date amounted to approximately HK\$7.1 million, HK\$8.0 million and HK\$1.8 million for the two financial years ended 31 March 2011 and 2012, and the four months ended 31 July 2012 respectively, representing approximately 18.6%, 27.0% and 12.5% of the Group's total revenue for the relevant year/period. 13 of the aforesaid reports had been issued as at 31 July 2012. Assuming no early termination of the in-progress projects, a further aggregate sum of approximately HK\$9.3 million will be recognised as revenue by the Group subsequent to the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, the Group had been engaged by a number of Listed Companies to provide natural resources valuation and technical advisory services on various Relevant Notifiable Transactions and discloseable transactions involving acquisition or realisation of interests in mineral assets, and to prepare and/or issue reports relating thereto which are subject to review and clearance by the Stock Exchange, details of which are set out under the paragraph headed "Projects undertaken by the Group during the Track Record Period" in the section headed "Business" in this prospectus. As at the Latest Practicable Date, all of the relevant reports including 4 Competent Person's Reports and 10 Natural Resources Valuation Reports had been completed and issued, 4 and 9 of which respectively were issued during the Track Record Period. Nevertheless, the Stock Exchange considered that the Group's first submission draft natural resources related reports previously submitted to the Stock Exchange for vetting did not fully comply with the JORC Code and CIM best practices guidelines and it took the Stock Exchange longer than usual to clear the reports to bring them to an acceptable level. The Stock Exchange had in the past indicated to the Company that it had concerns on the quality of the first submission draft reports prepared by the Group with comments including lack of transparency, omission of material information and not using plain language and had encountered difficulties in timely clearing some of these reports during the Track Record Period due to the quality of such reports. Besides, the Stock Exchange had once in the past considered a proposed Competent Person, who was a professional team member in the Group's technical department during the Track Record Period, not having relevant experience to the style of mineralization of a mining project of a Group's client during the Track Record Period. In respect of those natural resources related projects involving the issue of public documents such as circulars encompassing the Group's Competent Person's Reports and/or Natural Resources Valuation Reports that are subject to review and clearance by the Stock Exchange undertaken during the Track Record Period and up to the Latest Practicable Date, the time spent from the execution of the relevant mandates to the issue of such public documents inclusive of these final reports ranged from 49 days to 280 days. The prolonged vetting process for the project taking about 280 days between the execution of the Group's mandate and the issue of the client's circular mainly resulted from additional time being required by the relevant professional parties to

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update the initial accountants' reports and the initial valuation reports on the subject mines and properties, which were required to be included in the client's circular, due to the expiration of the initial accountants' reports and the initial valuation reports. In the course of updating the information required in the client's circular by relevant parties, the Group revisited and enhanced the disclosure in the Competent Person's Report and Natural Resources Valuation Report being included in the client's circular in view of the comments from the Stock Exchange and re-submitted the aforesaid reports to the Stock Exchange. The Group's business, growth prospects and results of operation and/or financial condition could be adversely affected by the quality of the Group's reports which are subject to the Stock Exchange's review and clearance. As at the Latest Practicable Date, there was one Natural Resources Valuation Report submitted by the Group to the Stock Exchange for vetting during the Track Record Period that have yet to be cleared by the Stock Exchange. There was no project involving Competent Person's Report or Natural Resources Valuation Report submitted by the Group to the Stock Exchange during the Track Record Period that had been unilaterally terminated by the respective clients as at Latest Practicable Date.

If the Group's current or potential clients were to form a view that the Competent Person's Reports and the Natural Resources Valuation Reports prepared by the Group would take longer to clear by the Stock Exchange than similar reports prepared by the Group's peers, they might choose not to engage the Group to provide valuation and technical advisory services in the future. Should the Group fail in the future to be awarded new projects that entail reports which are subject to the review and clearance by the Stock Exchange, the Group's business, growth prospects and results of operations and/or financial condition could be adversely affected.

### **Unpredictable nature of revenue model of the Group**

The Group's revenue is generated from the provision of services on a project-by-project basis and is subject to the size of the project and the scope of services rendered. In addition, terms and conditions of each mandate including its payment schedule are generally negotiated and determined at arm's length with the Group's clients on a project-by-project basis.

Given that the Group's revenue is non-recurring in nature, the Group's revenue and profitability are unpredictable. In addition, in respect of any mandate that has been or will be signed by the Group, there is also no assurance that the project will be completed pursuant to the terms and conditions of such mandate. If a project cannot be completed after a substantial amount of time and effort having been spent by the Group, or if the Group is unable to secure mandates with adequate costs coverage commensurate with the work to be done by the Group, the Group's revenue and profitability will be adversely affected.

### **The Group has a limited operating history and its future revenue and profits are subject to uncertainties**

Roma Appraisals and Roma Oil and Mining were incorporated with limited liability in Hong Kong on 23 May 2008 and 18 May 2010 respectively. The Group has a relatively short operating history upon which an evaluation of its prospects and profitability can be based. Such prospects and profitability must be considered in light of the risks, uncertainties, expenses and difficulties encountered by any new company. Such risks and uncertainties may affect the Group's ability to (i) develop and maintain a wide

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range of valuation and technical advisory services for its clients; (ii) increase market acceptance of the Group's services; and (iii) compete with other services providers which provide same or similar services to that of the Group.

**Possible adverse impact on the Group's business as a result of a loss of business reputation or negative publicity due to, among others, substandard quality of work or reports**

As a professional services firm, the Group's ability to secure new projects depends heavily upon its reputation and the reputation of its professional team. Negative publicity associated with the Group or its professional team, including failure to meet clients' expectations or misconduct by the Group's professional team, could result in loss of clients or increased difficulty in soliciting new clients and projects. In the event that, (i) any client or authority is not satisfied with the quality of work or reports prepared by the Group; (ii) there is any delay in completing the transactions because of the substandard quality of work performed by the Group; (iii) any party raises any complaints regarding the quality of the Group's work or reports; or (iv) any authority or regulator rejecting the work performed or reports prepared by the Group which comes to the attention of the public and/or its existing and/or potential clients, the business reputation and branding of the Group may be adversely affected. Similarly, referral by the Group's former or current clients is one of the sources of business for the Group. If any client has doubts on the Group's quality of work or that of the Group's professional team, such could impair the Group's ability to secure new clients and projects through referral, which will result in an adverse effect on the Group's business, growth prospects and results of operations and/or financial condition.

**The Group in general does not enter into long-term contracts with its clients, which may expose the Group to potential uncertainty with respect to its revenue from time to time**

During the Track Record Period, the Group's revenue was derived mainly from Listed Companies. The revenue from Listed Companies accounted for approximately 72.0% of the Group's total revenue. As at 31 December 2012, there were a total of 1,547 companies listed on the Stock Exchange, 114 of which had conducted business transactions with the Group during the Track Record Period. Most of the clients engage the Group to perform various non-recurring valuation and technical advisory assignments in accordance with their respective business development plans and corporate activities. The Directors believe that it is a market practice that these companies tend not to enter into any long-term agreement or commitment with any valuer or technical adviser. There is no assurance that the Group's clients will continue retaining the Group to provide valuation and technical advisory services in the future. Should the Group fail to be awarded new projects in the future, the Group's operations and results would be adversely affected.

**The Group may be unable to improve its net profit margin**

For the two financial years ended 31 March 2011 and 2012, and the four months ended 31 July 2012, net profit attributable to the owners of the Company was approximately HK\$25.9 million, HK\$3.3 million and HK\$6.5 million respectively. The net profit margin of the Group decreased from approximately 67.7% for the financial year ended 31 March 2011 to approximately 11.0% for the financial year ended 31 March 2012, primarily as a result of the decrease in revenue, significant increase in employee benefit expenses and expenses in relation to the Listing and Placing, nature of which is non-recurrent, being incurred by the Group. The net profit margin of the Group increased from approximately 2.6% for the four months ended 31 July 2011 to approximately 44.7% for the four



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months ended 31 July 2012, primarily as a result of the significant increase in revenue. There is no assurance that the Group will be able to maintain or improve on the level of net profit margin following the Listing.

### **The Group is subject to potential exposure to professional liabilities**

The Group's valuation and technical advisory services normally involve providing professional advice and professional reports to the Group's clients. A client, who relies on the Group's professional advice and professional reports, suffers loss as a result of the Group having been negligent in providing such services, could claim compensation from the Group. The Directors consider that the main business risk associated with valuation and technical advisory services is the possible claims or lawsuits arising from professional negligence, misconduct and fraudulent acts. During the Track Record Period, it was a common term in all of the Group's mandates with clients that the Group's liability in connection with services to be provided would be limited to the amount of fees received by the Group under the relevant mandates.

Internal control measures have been adopted by the Group to mitigate the risk arising from professional negligence, misconduct and fraudulent acts caused by the Group's employees and to ensure that all projects are performed with up-to-standard quality in accordance with the relevant standards, for the purpose of limiting its exposure to professional liability. Details of the Group's internal control measures are set out in the paragraph headed "Internal control" in the section headed "Business" of this prospectus. In spite of the internal control measures adopted by the Group, there is no assurance that these measures can completely eliminate professional negligence, misconduct and/or fraudulent acts caused by the Group's employees. If the Group experiences any event of professional negligence, misconduct and/or fraudulent acts, the Group could be exposed to liabilities, such as claims and/or lawsuits. It may also have an adverse impact on the Group's financial position and reputation. Since its establishment and up to the Latest Practicable Date, the Group has not been subject to nor received any claims resulting from services provided to its clients.

### **The Group may be adversely affected by the losses or liabilities arising from misstatement or leakage of confidential information handled by the Group**

The Group has from time to time handled important and price-sensitive information for both Listed Companies and private entities in providing services to its clients. The Group has required all of its employees to comply with its control procedures to protect the confidentiality of its client's information. However, there is no assurance that the procedures can completely eliminate mis-statement or leakage of its clients' confidential information. If the Group experiences any mis-statement or leakage of confidential information of its clients, the Group could be exposed to liabilities, such as complaints and/or claims, which may have an adverse impact on the Group's financial position and reputation.

### **The Group may not be adequately insured against losses and liabilities arising from its operations**

The Group is not subject to any professional insurance requirement under the existing regulatory environment. The Directors believe that it is an industry norm or a common practice for local valuation firms in Hong Kong not to take out insurance coverage for potential liability arising from professional negligence, fraud or employee misconduct. In the event that there is any claim against the Group for

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damages arising from professional negligence, misconduct and/or fraudulent acts (which is not covered by the Group's insurance), the Group will consider making relevant provision for the contingent liabilities in its financial statements.

Any claims relating to professional negligence, misconduct and/or fraudulent act may lead to legal and/or other proceedings and may result in substantial costs and diversion of resources and management's attention. Any imposition of liability on the Group or any substantial claim against the Group for professional negligence, misconduct and fraudulent acts may adversely affect the Group's business and financial position.

In order to minimise the risks relating to professional liability, the Group has taken out professional indemnity insurance to cover its potential liability arising from professional negligence. Details of the terms of the professional indemnity insurance are set out in paragraph headed "Limitation of liability of the Group" in the section headed "Business" in this prospectus.

### **The Group may be exposed to risks in relation to compliance standards**

Certain types of reports such as the Competent Person's Reports and the Natural Resources Valuation Reports to be issued by the Group are characterised by and subject to regulations and/or requirements under the Main Board Listing Rules, the GEM Listing Rules and/or internationally recognised codes and/or standards such as the HKIS Valuation Standards on Properties, the IVS or the JORC Code etc. Compliance standards in relation to regulations and/or requirements may also change from time to time. New regulations and/or requirements and/or changes in the interpretation of existing regulations or requirements may escalate the compliance costs for the Group or limit the Group's ability to provide these services such that the Group's profitability in the provisions of valuation and technical advisory services may be affected. Any failure to comply with the regulations and/or requirements may also result in failure to issue reports and thereby affect the Group's financial performance.

### **Risk management and internal control system of the Group may not be adequate or effective**

The Group has developed and established an internal control system to safeguard its operation and to minimise the risks that are associated with the Group's businesses. In order to closely monitor the Group's internal control system, the compliance officer will from time to time conduct various internal control activities including operations and system reviews to ensure the integrity, efficiency and effectiveness of the Group's systems of control. However, any deficiency and insufficiency in the Group's internal control system may adversely affect the Group's operations. There is no assurance that the internal control system put in place by the Group is at all times adequate and effective to deal with all the possible compliance risks and management risks in view of the changing financial and regulatory environment. Any failure of the internal control system to address the potential risks will directly affect the Group's operation and the ability of the Group to fulfill qualification and regulatory requirements. As such, any deficiency and inadequacy of the Group's internal control system will directly affect the Group's business and operating performance.



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### **Difficulties in seeking full payment of fee upon termination of underlying transaction**

The terms of each mandate, including the payment schedule, are negotiated between the Group and its client and are determined on a case-by-case basis with reference to the specific circumstances of each project. It is the current approach of the Group to bill the fees under the mandates in three instalments under normal circumstances with the first instalment to be paid upon execution of the mandates, the second instalment to be paid upon circulation of first draft reports to clients and the final instalment to be paid upon the delivery of the final reports or at completion of the advisory services. Although the fee notes provide that the service fees are due for full payment upon presentation, if the underlying target project cannot be carried through to completion, or the performance target cannot be attained, the Group may have difficulties in seeking full payment from the client notwithstanding the terms of the mandate. During the Track Record Period, the Group had experienced three natural resources related projects being early terminated by its clients which were due to unilateral termination of the underlying transactions or the engagement by the respective clients because of their own reasons. The Group refunded fees of HK\$175,000 after arm's length negotiation with one of such clients as a result of early termination. In the event that (i) the projects in relation to the Group's clients are early terminated; or (ii) the Group's clients are unwilling or unable to settle the outstanding accounts receivable and/or accrued revenue balances, the Group may experience bad or doubtful debts and the Group's revenue, profitability and cashflow will be adversely affected.

### **Exposure to risks associated with the filing of incorrect tax return to the Inland Revenue Department**

Due to errors related to certain accounting entries of Roma Appraisals including the cut off error and certain fund transfers between Roma Appraisals and its director (the "**Errors**"), Roma Appraisals had previously filed a tax return by an ex-tax representative, an independent third party, to the Inland Revenue Department in June 2010 based on incorrect financial information which showed a loss of approximately HK\$0.3 million from the date of its incorporation to 31 March 2010. Roma Appraisals in fact made a profit before income tax of approximately HK\$2.4 million during such period. The discrepancies with the loss of approximately HK\$0.3 million based on incorrect financial information was attributable to (i) the cut off error of approximately HK\$1.7 million due to the variance resulted from using the cash basis of accounting in the internal book keeping instead of accrual basis of accounting in accordance with relevant accounting standard; and (ii) the fund transfer between Roma Appraisals and its director being inadvertently misinterpreted as revenue and expenses of approximately HK\$1.3 million, offsetting by underprovision of expenses of approximately HK\$0.3 million. The understated income tax liabilities amounted to approximately HK\$0.4 million, which have been fully provided for in the financial statements of Roma Appraisals and the Group. Roma Appraisals then notified the Commissioner of Inland Revenue (the "**Commissioner**") of the Errors and resubmitted an amended tax computations based on the revised financial information in May 2011. On 5 May 2011, based on the revised financial information and before receiving the revised notice(s) of assessment from the Inland Revenue Department, Roma Appraisals voluntarily paid a total sum of HK\$400,013 to the Inland Revenue Department as tax payable by Roma Appraisals for the years of assessment 2008/09 and 2009/10. On 26 July 2011, the Inland Revenue Department issued a revised notice of assessment for the years of assessment 2008/09 and 2009/10 respectively to Roma Appraisals stating that the tax payable for the year of assessment 2008/09 was HK\$26,266 and the tax payable for the year of assessment 2009/10 was HK\$373,747, amounting to a total tax payable by Roma Appraisals for the years of assessment 2008/09 and 2009/10 of HK\$400,013, which was the same amount paid by Roma Appraisals to the Inland Revenue Department on 5 May 2011.

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Under the Inland Revenue Ordinance, the potential maximum liability of Roma Appraisals in relation to the Errors estimated by the Company is approximately HK\$1.2 million. Since 26 July 2011 and up to the Latest Practicable Date, Roma Appraisals had not received any further notice or letter from the Inland Revenue Department regarding the Errors. Based on the current information available to the management of Roma Appraisals and the Group, the potential maximum liability of approximately HK\$1.2 million has not been provided in the financial statements of Roma Appraisals and the Group. In this regard, the Controlling Shareholders have given an indemnity in favour of Roma Appraisals and the Group against such liability. For further details, please see the paragraph headed “Tax indemnity” in Appendix IV to this prospectus.

### **Risk associated with the computer hardware system and data storage**

The Group has maintained a 24-hour standby information technology support for its computer hardware and data storage. The data centre and the computer server of the Group are currently located at the Group’s premises with restricted access to authorised persons such as senior management and/or the information technology supporting staff. However, there is no assurance that the Group has sufficient ability to protect the computer hardware and data storage from all possible damage including but not limited to acts of nature, telecommunications breakdown, electricity failure or similar unexpected events. The Group neither maintains any off-site computer hardware centre and servers nor has any facilities to back up all the data in the event of physical breakdown and damage of all these computer hardware and data. The Group does not take out any insurance policy to protect it from all the associated risks. As such, any damage to these computer hardware and data will cause business interruption to the Group and thus will directly and adversely affect the operating performance of the Group.

### **The Group may be exposed to risks of potential computer system failure and disruptions**

Similar to all other computer network users, the network computer system of the Group is vulnerable to the attack of computer virus, worms, trojan horses, hackers or other similar computer network disruptive problems. Any failure in safeguarding the computer network system from these disruptive problems will cause the breakdown of the computer network system and leakage of confidential information of the Group and its clients. Although the Group has installed computer anti-virus software and a network router to protect the network system and has been relying on third party authentication technology to facilitate the transmission of confidential information, there is no assurance that the Group’s computer network system is absolutely secured. Any failure in the protection of computer network system from external threat may cause disruption of the operation of the Group and may damage the reputation of the Group for any breach of confidentiality to its clients and in turn may indirectly adversely affect the business operation and performance of the Group. During the Track Record Period and up to the Latest Practicable Date, the Group did not experience any breakdown in its computer network system or breach of confidentiality.

### **No assurance that future business plans will materialise**

The future business plans set out in this prospectus are prepared based on the existing plans and intention of the Group which are either at the conceptual or preliminary stages. These plans and intention are prepared based on the assumption that certain future events will occur. If such future events do not happen as anticipated, the results of the Group’s business could differ materially from those set out and discussed in this prospectus.

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There is no assurance that the future business plans of the Group will materialise, or result in the conclusion or execution of any agreement in accordance with the planned timeframe, or that the objectives of the Group will be fully or partially accomplished. The Group's results of operation may be adversely affected in the event that the Group fails to accomplish its future plans.

The Group currently has no bank and other borrowings. As the growth of the business of the Group continues, the Group may need to raise capital from the equity or debt markets to meet its financial requirements. There is no assurance that the Group will be able to raise further capital from the equity or debt markets, which may adversely affect the implementation of the future business plans of the Group and therefore the financial operations of the Group.

### **RISKS RELATING TO THE INDUSTRY**

#### **The Group's business may be adversely affected by the downturn of Hong Kong's economy or stock market owing to unforeseen circumstances**

Since all of the Group's revenue is derived from Hong Kong, the Group's business and results of operations are affected by the overall performance of the Hong Kong economy which is influenced by factors including, *inter alia*, local and international economic and political conditions, general market sentiment, changes in the regulatory environment and fluctuations in interest rates. Unforeseen circumstances such as economic downturn or natural disaster which are beyond the control of the Group may affect its business. Likewise, any prolonged downturn in the stock market may lead to a reduction in mergers and acquisitions, initial public offerings and/or other corporate activities, which may adversely affect the volume of the Group's business and profitability. Any such unforeseen circumstances may adversely affect the operations and financial performance of the Group in a material respect.

Financial difficulties and economic conditions in the United States, Europe and other regions since September 2008 have caused significant economic downturn. The economy of Hong Kong was also affected as a result. Sustainability of economic recovery, if any, is uncertain. Moreover, the future prospects of Hong Kong are linked to the economic, social and political development of the PRC and any unfavorable disruption to such development could have an adverse effect on the Hong Kong economy.

Further, any adverse change in the economic conditions in Hong Kong will have adverse impact on the Group such as increase in the risk of cancellation or termination of projects by clients and default in payment of fees. If such events materialise, the Group's performance will be adversely affected.

#### **The Group may be adversely affected by changes in the laws and regulations governing companies listed on the Stock Exchange**

During the Track Record Period, a majority of the Group's clients are companies listed on the Stock Exchange, which are subject to all the applicable laws and regulations, including but not limited to, the Main Board Listing Rules and the GEM Listing Rules.

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According to the Main Board Listing Rules and the GEM Listing Rules, applicants for initial public offering and companies listed on the Stock Exchange entering into major transactions, very substantial acquisitions, very substantial disposals or connected transactions involving acquisition or disposal of any property may require to engage independent valuers to prepare independent valuation reports on the properties. In the case of mineral companies, applicants for initial public offering and companies listed on the Stock Exchange entering into major transactions, very substantial acquisitions, very substantial disposals or reverse takeovers, they may be required to engage a Competent Person to prepare Competent Person's Reports or both a Competent Person and a Competent Evaluator to prepare both Competent Person's Reports and Natural Resources Valuation Reports.

Should the Main Board Listing Rules and/or the GEM Listing Rules be amended in such a way that the scope of work or extent of the Competent Person's Report or the Natural Resources Valuation Report are reduced or no longer required, the volume of the Group's business and profitability may be adversely affected.

### **The Group operates in a highly competitive industry**

The Directors believe that the valuation and technical advisory industry in which it operates is fragmented and unstructured and the Group has to face competition from different consulting and professional firms. The Directors consider that competition in this industry is based on quality and scope of services, market reputation, business network and pricing. In particular, participants in this industry operate in a fast-changing business environment.

The Directors believe that competition within the industry is intense and the Group has to compete with competitors who may have better or longer established reputations, more resources (both human and financial), a wider range of services and longer operating history than the Group. Should the Group fail to compete with its competitors by maintaining its competitive advantages and responding rapidly to a fast changing business environment, the Group's operations would be adversely affected.

### **RISKS RELATING TO THE PLACING**

#### **There has been no prior public market for the Shares and an active or liquid trading market for the Shares may not develop**

The Listing is by way of placing and the Shares have not been listed or quoted on any stock exchange or open market before completion of the Placing. There is no assurance that there will be an active trading market of the Shares on GEM upon the Listing. In addition, the market price of the Shares to be traded on GEM may differ from the Placing Price and investors should not treat the Placing Price as an indicator of the market price of the Shares to be traded on GEM.

Upon Listing, the trading volume and market price of the Shares may be affected or influenced by any adverse change in a number of factors from time to time, including but not limited to, the income, profit and cash flows of the Group, new products, services and/or investments of the Group, changes of senior management of the Group and general economic conditions. There is no assurance that there will be no adverse change in such factors and it is difficult to quantify the impact on the Group, the trading volume and market price of the Shares.

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## RISK FACTORS

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### **Further issue of securities by the Company may dilute Shareholders' interest**

One of the benefits to the Company upon the Listing is the access to the capital market and the Group may raise additional funds to finance future expansion of its business, operations or acquisitions. The Company will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of the Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the Listing Date. Upon the expiry of such six-month period, the Group may raise additional funds by way of issue of new equity or equity-linked securities of the Company and such fund raising exercises may not be conducted on a pro rata basis to the then existing Shareholders. As such, the shareholding of the then Shareholders may be reduced or diluted and subject to the terms of the issue of the new securities, the new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

### **Issue of new Shares under the Pre-IPO Share Option Scheme and the Share Option Scheme may decrease Shareholders' value of investment**

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. Following the grant of any options under the Share Option Scheme in the future and the allotment and issue of new Shares upon exercise of the options granted under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme, there will be a dilution or reduction of shareholding of the then Shareholders and it may also result in a dilution or reduction of the earnings per Share or net asset value per Share.

Under the HKFRS 2 Share-based Payment, the costs of the share options granted to employees under the Pre-IPO Share Option Scheme and to be granted under the Share Option Scheme will be charged to the Group's combined statement of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Pre-IPO Share Option Scheme or the Share Option Scheme (as the case may be). As a result, the Group's profitability and financial results may be adversely affected.

### **Sale or perceived sale of substantial amounts of the Shares in the public market after the Placing could adversely affect the prevailing market price of the Shares**

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the GEM Listing Rules. There is no assurance that the Controlling Shareholders, whose interests may be different from those of other Shareholders, will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

### **The interest of the Controlling Shareholders may not always coincide with the interest of the Company and those of other Shareholders**

Upon completion of the Placing and the Capitalisation Issue (but not taking into account the allotment and issue of Shares upon the exercise of options granted under the Pre-IPO Share Option Scheme or which may be granted under the Share Option Scheme), the Controlling Shareholders will own, in aggregate, 75% of the Shares. The Controlling Shareholders will therefore have significant

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## **RISK FACTORS**

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influence over the operations and business strategy of the Group, and may have the ability to require the Group to effect corporate actions according to their own desires. The interest of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of other Shareholders, or if any of the Controlling Shareholders choose to cause the Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the Company or those other Shareholders may be adversely affected as a result.

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

#### **Certain statistics and facts in this prospectus are derived from various official government sources and publications or other sources and have not been independently verified**

This prospectus includes certain statistics and facts that are extracted from official government sources and publications or other sources. The Company believes that such statistics and facts are prepared by the relevant sources after having taken reasonable care. Whilst the Company believes that it is prudent for it to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake. The statistics and facts from these sources have not been independently verified by the Company, Aperto Investments Limited, the Sponsor, the Lead Manager, the Co-Manager, the Sole Bookrunner, the Underwriter, or any of their respective directors, affiliates or advisers or any other party involved in the Placing and no representation is given as to their accuracy and completeness. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

#### **Forward-looking statements in this prospectus may prove inaccurate**

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