RISKS RELATING TO OUR GROUP'S BUSINESS

Our engagement with our customers are based on projects on hand of our customers, which are non-recurring in nature, and we do not enter into long-term agreements with our customers. There is no guarantee that our existing customers will be awarded new projects on a continuous basis or engage us again in future construction projects.

Our customers include construction companies, manufacturing companies, education institutions, government bodies and other construction equipment providers. Our revenue may depend materially on the number and size of projects our customers are awarded and the number of our equipment engaged in such projects. When our customers complete the respective stages of the construction projects we are involved in, our engagements with them will terminate. There is no guarantee that our customers will continue to engage us for our services in future construction projects to a similar extent, or at all.

In addition, during the Track Record Period, we did not enter into any long-term rental or sales contract with our customers, and the minimum rental period is seven days in Hong Kong and one day in the PRC. Our customers may choose instead to rent or purchase equipment from our competitors for their future construction projects. If we cannot maintain our engagements with our customers in the future, our business operation and future profits may be adversely affected.

In view of the above, the number and duration of contracts, and the amount of revenue we are able to derive therefrom may vary significantly from period to period, and it is difficult to estimate the volume of our future business. We recorded an overall utilisation rate of our rental fleet in Hong Kong of approximately 52.5%, 69.6%, 79.6% and 78.7%, respectively, for the three years ended 31 March 2022 and six months ended 30 September 2022. In the PRC, we recorded an overall utilisation rate of our rental fleet of approximately 19.6%, 17.9% 31.8% and 19.8%, respectively, for the three years ended 31 March 2022 and six months ended 30 September 2022. There is no assurance that our Group could achieve the same or higher utilisation rate of our rental fleet in the future as we did in the previous years. If the size or number of our customers' projects reduce significantly in the future, our business operations, financial position and prospects may be materially adversely affected.

We had a high concentration of suppliers during the Track Record Period.

For the three years ended 31 March 2022 and six months ended 30 September 2022, our transactions with our five largest suppliers amounted to approximately HK$33.0 million, HK$65.9 million, HK$61.0 million and HK$19.9 million, representing approximately 89.4%, 88.3%, 89.1% and 82.0% of our Total Purchases for the three years ended 31 March 2022 and six months ended 30 September 2022, respectively. There is no assurance that our Group would be able to establish business relationships with new suppliers to reduce our reliance on our major suppliers; or our existing suppliers will continue to supply suitable construction equipment to our Group in the future. If any of our suppliers fails to supply the required construction equipment to us or if we fail to identify alternative sources of construction equipment that meet the prescribed requirements and/or standards in a timely manner and at favourable terms, our business, financial conditions and results of operation may be materially adversely affected. Moreover, there is no assurance that we can obtain the required capital for procuring construction equipment and/or spare parts through equity or debt financing on reasonable and acceptable terms or generate sufficient cash flow from our operations to meet the capital requirements for procuring new construction equipment, which may hinder our Group's business growth or force us to forego business opportunities.

The costs of new construction equipment may increase, which may cause us to spend significantly more for the procurement and replacement of construction equipment, and in some cases we may not be able to procure construction equipment at all due to supplier constraints.

We meet our customers' demand for construction equipment by providing new construction equipment under our "Chi Shing" brand which are produced on an OEM basis as well as sourcing construction equipment from our suppliers. We will take initiative to replace our construction equipment when necessary. The cost of new construction equipment may increase, which may cause us to spend significantly more for the procurement and replacement of our construction equipment, and in some cases we may not be able to procure construction equipment at all due to supplier constraints. The cost of maintaining our rental fleet could increase, due to factors beyond our control, such as inflation, compliance with government regulations or increased material costs. Price increases could materially adversely affect our business, financial condition and results of operations.

In addition, we may not be able to procure all necessary replacement construction equipment in a timely manner since our suppliers may not be able to meet our procurement schedules. If demand for new construction equipment increases significantly, equipment manufacturers may not be able to meet our customers' orders on a timely basis. As a result, we may experience long lead time for certain types of construction equipment and we cannot assure that we will be able to acquire the types or sufficient numbers of construction equipment that we need to replace older construction equipment according to our expected schedule. Consequently, we may have to age our rental fleet longer than we would consider optimal or shrink our rental fleet, either of which could restrict our ability to grow our business.

There is no guarantee that our suppliers will extend the dealership and distributorship agreement(s) with us upon expiry of such agreements and our future operations may be adversely affected.

As at the Latest Practicable Date, our Group had entered into dealership and distributorship arrangements with three construction equipment manufacturers in relation to their product dealership and distributorship from which we sourced approximately 46.5%, 55.6%, 51.0% and 42.4% of our Total Purchases for the three years ended 31 March 2022 and six months ended 30 September 2022, respectively. We are dependent on the continued supply of construction equipment from these suppliers to maintain our business operation. Our existing distributorship agreement is subject to validity terms and needs to be renewed in 2023. For the details of the dealership and distributorship agreements with our suppliers, please refer to the paragraph headed "Business – Suppliers – Dealership and distributorship agreements" in this document. However, there is no assurance that we can maintain our relationship with these suppliers and renew all the dealership and distributorship agreements upon expiry. As a result, we may have to seek for other suppliers as substitutes, and this could lead to a significant adverse effect on our operations if we are unable to find suitable substitute suppliers in a timely manner, on favourable terms or at all.

Our business performance is dependent on the trends and development of the construction industry in Hong Kong and the PRC.

During the Track Record Period, our revenue was mainly derived from the rental and sale of construction equipment to customers for construction projects in Hong Kong and the PRC. The future growth and level of profitability of the construction equipment rental and sales market depend, to a large extent, on the continued availability of construction projects in general. The availability of construction projects from the public and private sectors will be determined by a variety of factors. These factors include investment plans and strategies of property developers, and expenditure caps imposed by the Government and the PRC government on public projects. Furthermore, public construction projects in Hong Kong rely on the timely funding approval by the committees of the Legislative Council of Hong Kong. Therefore, any delays in the passing of public works funding proposals by the committees of the Legislative Council of Hong Kong will create uncertainty on the commencement date of construction projects in the public sector, which may in turn adversely affect the overall demand for construction equipment in our industry. Any significant delay in the commencement of private and public projects may adversely and materially affect our financial position.

The prolonged pandemic of COVID-19 and any outbreak of other communicable diseases in Hong Kong, the PRC and other places around the world could have a material and adverse impact on our business.

Since December 2019, the outbreak of COVID-19 has led to many confirmed cases and deaths in Hong Kong, the PRC and many other countries and regions. The World Health Organisation declared COVID-19 a public health emergency of international concern in January 2020 and a global pandemic in March 2020. As COVID-19 is highly contagious, if our employees are infected with COVID-19, quarantines and/or temporary closure of our office, open storage and/or warehouses would be required. In addition, if the outbreak of COVID-19 is not contained in the near future, the Government and the PRC government may have to impose restrictions on movements and activities which may result in delay in delivery of construction equipment from our suppliers and/or delivery of construction equipment to our customers. It may also lead to rescheduling, delay or termination of construction projects of our customers, and our business and our financial conditions may be adversely affected. It is highly uncertain as to when COVID-19 will be contained and whether its impact will be short-lived or long-lasting. In the event of a prolonged outbreak, the overall economy of Hong Kong and the PRC may be adversely affected. As a result, our business and prospect may be materially adversely affected.

Potential mismatch in time between receipt of payments from our customers for the rental and sale of equipment and payments to our suppliers for the purchase of equipment may adversely affect our cash flow and our operating results.

We may experience net cash outflows for the purchase of equipment from our suppliers before we are able to collect the rental fees or sales revenue from our customers for the same equipment. For the three years ended 31 March 2022 and six months ended 30 September 2022, our trade, bills and lease receivables amounted to approximately HK$34.2 million, HK$30.4 million, HK$47.1 million and HK$45.6 million, respectively. For the same years, our trade, bills and lease receivables turnover days were approximately 98.5 days, 91.5 days, 115.3 days and 164.5 days, respectively, which are longer than the credit period we generally grant to our customers. We generally offer our major rental customers a credit term of up to 60 days and our non-major rental customers a credit term of up to 90 days. For sales services, the credit period granted to our customers was up to 60 days following our issue of invoice. Meanwhile, our trade payables turnover days for the three years ended 31 March 2022 and six months ended 30 September 2022 were approximately 37.8 days, 62.4 days, 63.0 days and 18.8 days, respectively, which are shorter than the trade, bills and lease receivables turnover days for the same years. There is no assurance that our customers will settle our invoices on time and in full. Any difficulty in collecting a substantial portion of our trade receivables before payment of our trade payables could materially and adversely affect our profitability, working capital and cash flow.

Our liquidity and financial position may be adversely affected if our customers default in, or delay, their payments.

Our customers are mainly construction companies, manufacturing companies, education institutions, government bodies and other construction equipment providers. We recorded balances of trade, bills and lease receivables of approximately HK$34.2 million, HK$30.4 million, HK$47.1 million and HK$45.6 million as at 31 March 2020, 2021 and 2022 and six months ended 30 September 2022, respectively. The trade receivables turnover days were approximately 98.5 days, 91.5 days, 115.3 days and 164.5 days for the three years ended 31 March 2022 and six months ended 30 September 2022, respectively. We are subject to the credit risk of our customers. We may not be able to collect payments from those customers who are having financial difficulties or delayed projects. We cannot assure that our customers will not subsequently default in, or delay, their payments in the future. In the event our customers default in all or a substantial portion of their payments to us, our financial performance may be materially adversely affected.

Our past revenue and profit margin may not be indicative of our future revenue and profit margin.

For the three years ended 31 March 2022 and six months ended 30 September 2022, our revenue was approximately HK$93.9 million, HK$128.8 million, HK$122.7 million and HK$51.6 million, respectively. For the same years, our gross profit was approximately HK$48.4 million, HK$75.8 million, HK$66.8 million and HK$27.8 million, respectively, whereas our gross profit margin for the same years was approximately 51.6%, 58.9%, 54.5% and 53.9%, respectively. For discussion of our financial performance, please refer to the paragraph headed "Financial Information – Consolidated statements of profit or loss and other comprehensive income" in this document.

There is inherent risk in using our historical financial information to project or estimate our financial performance in the future, as it only reflects our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including, intensification of competition among construction equipment providers, aggravation in labour shortage, and other unforeseen factors such as adverse weather, outbreak of contagious diseases and geological conditions, any of which may delay the delivery of construction equipment from our suppliers as well as the delivery of construction equipment to our customers, reduce the number of projects awarded to our customers, and/or reduce our profit margin.

Changes in existing laws, regulations and government policies, including the introduction of more stringent laws and regulations on environmental protection and labour safety may cause us to incur substantial additional expenditure.

Many aspects of our business operations are governed by various laws and regulations, and government policies. The requirements in respect of the granting and/or renewal of various licenses and qualifications in the construction equipment rental and sales industry may change from time to time, and we may not be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden for compliance, which may materially adversely affect our business, financial condition and results of operations. For example, if there are any change to and/or imposition of requirements for qualification in the construction equipment rental and sales industry in relation to environmental protection and labour safety (such as, the China IV standard which was implemented in the PRC from 1 December 2022), and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially adversely affected. For more details, please refer to the paragraph headed "Regulatory Overview – PRC laws and regulations – H. Regulations related to non-road mobile machinery" in this document.

We need to maintain necessary registrations or exemptions for the construction equipment used in our business operation in Hong Kong.

We are required to maintain certain registrations, such as, QPME and NRMM, or exemptions from NRMM for the construction equipment used in our business operation in Hong Kong. Please refer to the paragraph headed "Business – Health, work safety, social and environmental matters" in this document for further details. To maintain such registrations or exemptions, we must comply with the restrictions and conditions imposed by the relevant authorities and regulations. Please refer to the section headed "Regulatory Overview" in this document for further details.

The standards of restrictions and conditions imposed by the relevant authorities on registrations and exemptions may vary from time to time without advance notice and we cannot assure you that we will be able to duly comply with such changes in a timely manner. If we fail to comply with any of these restrictions or conditions, our registrations and/or exemptions could be temporarily suspended or even revoked, or the renewal of our registrations upon expiry of the terms may be delayed or refused. Furthermore, these registrations and exemptions are valid for a limited period of time and may be subject to periodic review and renewal by the relevant authorities. In case we fail to apply for their renewal in a timely manner when they fall due or the relevant authorities take disciplinary actions against us for any non-compliance in the future, the renewal of our registrations and exemptions upon expiry of their terms may be delayed or even refused. Losing any of these registrations or exemptions may have a direct material impact on our business operations and financial conditions.

We are dependent on our key management personnel.

Our Directors consider that the success of our Group is largely attributable to the contribution, experience and expertise of our Directors and senior management. Our core management team is led by Mr. Kok, who has over 36 years of experience in the construction equipment rental and sales industry. Our key management team plays a critical role not only in obtaining favourable dealership and distributorship agreements with our suppliers, but also in maintaining stable relationship with and providing satisfactory products and after-sales services to our customers. If any of these members of our core management team cease to be involved in the management of our Group in the future and our Group is unable to find suitable replacements in a timely manner, there could be an adverse impact on the business, results of operation and profitability of our Group. Please refer to the section headed "Directors and Senior Management" in this document for details of the biography of our core management personnel.

We are exposed to the risk of shortage of skilled labour and experienced technicians.

As at the Latest Practicable Date, our technical team consisted of 13 members, a certain number of them had worked for our Group for over 16 years. Our technical team provides repair and maintenance and other supporting services to our customers, and the number of such qualified personnel in our industry is limited. In the event of a shortage of skilled labour in the market, we may have to increase their compensation in order to retain their services, which will result in an increase in our operating expenses and we may not be able to pass it on to our customers. Therefore, our profitability could be adversely affected. Even if we increase the salaries of our staff, there is still no guarantee that we will be able to maintain an adequate number of skilled employees and experienced technicians. There may be an adverse impact on our business operations should a large portion of these skilled labour and experienced technicians cease their employment with our Group and appropriate replacements could not be found in a timely manner.

We are exposed to foreign exchange risks.

Payments made by us for the settlement of our purchases are generally made in Japanese Yen, Euro, US dollar, Hong Kong dollar and RMB. Payments received by us from our customers are, on the other hand, mainly in Hong Kong dollar and RMB. We are therefore exposed to foreign exchange risks as the exchange rates between Hong Kong dollar/RMB and foreign currencies at the time we place orders under such agreements may be substantially different from those at the time that we are required to make payments to our suppliers. If exchange rate fluctuations cause increases in our cost of sales, we may not be able to adjust our selling price promptly to pass such increment on to our customers, which would negatively affect our profitability.

We engage third parties to carry out some of the tasks in our operation cycle. The sub-standard or delayed performance of these third parties may adversely affect our reputation.

We have engaged third party service providers for (i) the production of our "Chi Shing" brand equipment; and (ii) the delivery of construction equipment to our customers' designated locations. We may not be able to review and monitor the performance of these service providers as directly and as efficiently as managing our own staff. Our inability to ensure the service quality of these third party service providers could also hinder our ability to deliver services to customers in a timely and satisfactory manner. By engaging them for different tasks, we are exposed to risks associated with sub-standard or delayed performance by these third party service providers. If such risks materialise, our services may deteriorate and could therefore impact our profitability, financial performance and reputation, and result in litigation or damages claims.

We are exposed to risks related to litigious claims that may affect our operations and financial position.

During the Track Record Period and up to the Latest Practicable Date, there had been one accident causing bodily injuries to one of our former employees and an amount of approximately HK$473,000, which was covered by our insurance, had been compensated to him as at the Latest Practicable Date. Such former employee filed a personal injury claim against our Group on 5 May 2021 and subsequently a statement of claim was filed and served by such former employee on our Group on 22 June 2022 for a sum of approximately HK$2,836,000, plus the relevant interests and further damages. The claim has been taken over by the insurance company and a defence was filed on 18 July 2022. Please refer to the paragraph headed "Business – Legal proceedings and compliance – Legal proceedings" in this document for further details. We have implemented a series of safety measures and procedures, but there is no assurance that all the safety measures or other related rules and regulations of our Group or of our customers are strictly followed. Any violation may lead to higher probability of occurrences and/or increased seriousness, of personal injuries, property damages and/or fatal accidents at work sites, which may materially and adversely affect our business operations and financial position to the extent not covered by insurance policies.

Our business plans and strategies may not be successful or achieved within the expected timeframe or the estimated budget.

We intend to achieve sustainable growth in our current business and to create long-term Shareholder's value by implementing certain corporate strategies, which include: (i) expand and optimise our rental fleet in Hong Kong and the PRC; (ii) strengthen the development of our own-branded products and enhance the marketing of our brand; (iii) installation of app-enabled centralised rental fleet management system; and (iv) hiring of additional workforce. For more details of our business plans and strategies, please refer to the paragraph headed "Business – Business strategies" and the section headed "Future Plans and **[REDACTED]**" in this document. However, our plans and strategies may be hindered by an array of risks including those mentioned in this section. There is no assurance that we will be able to successfully maintain our market share or grow our business successfully after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our plans will materially and adversely affect our business, financial condition and results of operations.

Acquisition of new construction equipment could increase our depreciation expenses and there is no guarantee that the new purchases will be utilised for our business as expected.

As discussed in the section headed "Future Plans and **[REDACTED]**" in this document, we intend to apply approximately HK$**[REDACTED]**, representing approximately **[REDACTED]** of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of approximately HK$**[REDACTED]** per Share, being the mid-point of the proposed **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per Share), for expanding our rental fleet in Hong Kong. Upon purchase of the aforesaid construction equipment, we will incur additional annual depreciation expenses which will also increase our cost of sales and services. As a result, our future financial condition may be adversely affected by the increase in depreciation expenses. There is no assurance that the intended new purchases can be employed at a utilisation rate comparable to or higher than that during the Track Record Period. In the event that the new construction equipment cannot be rented out and/or sold to customers as expected, our profitability and financial performance may be adversely affected.

Our operations are exposed to risks customary to the construction industry and our existing insurance coverage may not provide us with adequate protection against these risks.

We may face the risk of loss or damage to our properties and construction equipment due to fire, flood, theft or other kinds of accidents in our day-to-day operations. Such events may lead to disruptions and may therefore adversely affect our profitability. We have maintained property all risks insurance for construction equipment stored at HK Property 1 in Hong Kong. We have also maintained equipment insurance for part of the construction equipment in our rental fleet in the PRC. In the event that we face losses or damages to our construction equipment, rental fleet or inventories due to theft or any other accidents at our storage facilities, these losses or damages may not be covered by our insurance and we may not be able to receive any compensation. It may then have an adverse impact on our business operations and financial position.

Notwithstanding our commitment to insure for our employees, our liabilities may not be fully covered by insurance in the event that there are claims made against us as a result of accidents. In such case, our profitability and financial performance may be adversely affected.

There is also no guarantee that the insurance premium will not increase or we will not be required by law or our customers to obtain additional insurance coverage. We also cannot control that there will not be any reduction in or limitation of insurance coverage by insurers upon expiry of our current insurance policies. Any significant increase in insurance premium or reduction in coverage in the future may adversely affect our operations and financial performance.

We may not be able to secure suitable premises for storage of our construction equipment and for our office and we may have to relocate for alternatives.

We have entered into the tenancy agreements for two properties located in Yuen Long, New Territories in Hong Kong and one property in Nansha district, Guangdong Province in the PRC, for the storage of our construction equipment and/or for our office. There is no assurance that we can continue to lease the properties in the event of early termination by the landlords or when the relevant agreements expire. If we are unable to renew our existing leases, secure suitable new premises, or if there is sudden change in demand for our rental fleet, we may need to secure alternative premises. As storage facilities have to be located on premises which meet zoning and permitted land use requirements, such premises may not be immediately available when needed. If we cannot extend our current leases and/or cannot find alternative or additional premises when required, this may result in disruptions to our operations which will in turn adversely affect our operations.

Our reputation may be adversely affected if there are major disruptions to our business operations.

The reputation that we have built up over the years plays a significant role in attracting customers and maintaining customer relationships. If there are any major disruptions to our business operations caused by events such as major or frequent breakdowns of construction equipment in our rental fleet, recall of construction equipment from our suppliers due to quality problems, inability of our technical support team or our third party service providers to provide quality and timely services to our customers, and/or other circumstances beyond our control, we may face adverse publicity and our reputation and goodwill in the market may be adversely affected.

RISKS RELATING TO OUR MARKET AND INDUSTRY

The construction equipment rental and sales industry is competitive, and competitive pressure could lead to a decrease in our market share and our ability to sell or rent equipment at favourable prices.

The concentration of the construction equipment rental and sales industry in Hong Kong is low. As mentioned in the CHFT Report, as of April 2022, there were about 100 competitors in the construction equipment rental and sales industry in Hong Kong while as of September 2021, there were more than twelve thousand construction equipment rental and sales service providers in the PRC. Despite of the entry barriers for new entrants to enter the construction equipment rental and sales industry in Hong Kong and the PRC, such as, capital intensiveness, requirement for reputation, experience and repair and maintenance capability, and established relationship with upstream suppliers, we believe there may be increased competition in our industry from existing competitors or from new market entrants.

We believe that quality of products and services is a prominent competitive factor in the construction equipment rental and sales industry. Our Directors consider that, from time to time, our competitors may compete by introducing similar or lower-priced substitutes. Competitive pressure may materially adversely affect our revenue and operating results by reducing our market share or depressing construction equipment rental rates or prices. If we lower the prices in order to retain or increase market share, our operating margin and financial performance may be adversely impacted.

Changes in market conditions and trends in the construction industry and in the overall economy may affect our operations and growth.

Our operations are mainly located in Hong Kong and the PRC. According to CHFT, the demand for our construction equipment rental services and our construction equipment is closely associated with the construction industry as a whole. According to the CHFT Report, the construction industry in Hong Kong and the PRC may be threatened by various factors, including but not limited to (i) shortage of skilled labour; (ii) rise in operating costs such as cost for construction equipment storage; and (iii) delay in procurement of materials, plant and equipment. Should there be an occurrence of any of the above conditions or the threat materialises, there may be a significant deterioration in the demand for construction equipment, and our operating results and financial conditions may be adversely affected.

RISKS RELATING TO HONG KONG

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

Most of our revenue generated during the Track Record Period was derived from provision of construction equipment rental services and sale of construction equipment in Hong Kong. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially adversely affected.

RISKS RELATING TO THE PRC

We may be adversely affected by changes in social and economic policies, as well as governmental policies, in the PRC.

During the Track Record Period, a part of our revenue was derived from our provision of construction equipment rental service and sale of construction equipment to customers in the PRC. A part of our assets and operations is located in the PRC. Therefore, our business, financial condition and results of operations are subject to economic and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in some aspects, including growth rate, control of foreign exchange, allocation of resources and capital investment. Any significant changes in the PRC's economic and governmental policies and measures could have a material adverse effect on the PRC economy and we cannot assure you that such changes will not occur. Where such changes have a material adverse effect on the PRC economy and economic growth, it may impact the industry in which we operate, and may reduce the demand for our products and services.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.

Our Company is a holding company incorporated under the laws of the Cayman Islands. Under the EIT Law, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise and be subject to the unified income tax at a rate of 25% on its worldwide income. The EIT Law defines the term "de facto management body" as a body that has a material and overall management control over the business, personnel, accounts and properties of the enterprise. In April 2009, SAT issued the Notice regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the basis of "de facto management bodies", which was partially revised by SAT in December 2017, setting out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these or other regulations of SAT in respect of enterprises established offshore by private individuals or foreign enterprises like us, therefore, it is unclear whether we will be deemed to be a "PRC tax resident enterprise" for the purposes of the EIT Law even though a part of our operations and management are currently based in the PRC. We are currently not treated as a PRC tax resident enterprise by the relevant tax authorities, nevertheless, there can be no assurance that we will not be treated as a PRC tax resident enterprise under the EIT Law in the future and be subject to the unified income tax. In the event that we are subject to the unified income tax, our income tax expenses may increase significantly and have a material adverse effect on our net profit and financial performance.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under the PRC tax laws.

Under the EIT Law, enterprise income tax at the rate of 10.0% is applicable to dividends payable to investors that are "non-resident enterprises" (being investors which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary's after tax income has no actual relationship with such institutions or premises) to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10.0% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. If we are considered as a PRC "resident enterprise", it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If we are required under the EIT Law to withhold PRC enterprise income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC enterprise income tax on the transfer of our Shares, the value of your investment or return on your investment in our Shares may be materially adversely affected.

We have been involved in non-compliance with certain regulatory requirements in the PRC and may be subject to liabilities.

We are required to make contribution to social insurance funds and the housing provident fund for our eligible employees according to various laws, regulations and requirements in the PRC, the details of which are summarised in the section headed "Regulatory Overview" in this document. Should we fail to comply with or meet these laws, regulations and requirements, we may be subject to fines or other remedial measures. Besides, our Group may incur additional costs to ensure compliance in case of changes in the relevant requirements in the future. During the Track Record Period, we had failed to make adequate contribution to social insurance fund and housing provident fund for all of our eligible employees. For details of the non-compliances of our Group, please refer to the paragraph headed "Business – Legal proceedings and compliance – Legal compliance" in this document.

The PRC government has certain measures in relation to currency conversion which may affect the value of our Shares and limit our ability to utilise our cash effectively.

Some of our revenue is denominated in RMB. The PRC government has imposed certain measures on the conversion between RMB and foreign currencies and, in certain cases, the remittance of foreign currencies into and out of the PRC. Pursuant to the existing PRC foreign exchange regulations, payments of current account items, such as dividend distributions and interest payments, can be made in foreign currencies without prior approval from SAFE, but subject to certain procedural requirements. However, approval from or registration with SAFE or its designated banks is required where RMB is to be converted into other foreign currencies and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies.

We cannot assure you that the PRC regulatory authorities will not impose restrictions on foreign exchange transactions for current account items in the future. Any shortage in the availability of foreign currency may restrict the ability of our PRC subsidiary to remit sufficient foreign currency to pay dividend or make other payments to our Group, or otherwise satisfy their obligations that are required to be settled in foreign currency.

If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividend in foreign currencies to our Shareholders. In addition, since some of our future cash flow derived from our operation will be denominated in RMB, any existing and future restriction on currency exchange may limit our ability to purchase or obtain goods and services in countries outside of the PRC, or otherwise limit or impair our business activities that are conducted in foreign currencies.

The PRC regulations may limit our ability to finance our PRC subsidiary effectively with the [REDACTED] from the [REDACTED], which may adversely affect the value of your investment.

We, as an offshore holding company, may make additional capital contributions or loans to our PRC subsidiary, including from the **[REDACTED]** of the **[REDACTED]**. Any loan to our PRC subsidiary is subject to PRC laws and regulations. For example, loans from us to our PRC subsidiary, which is a foreign-invested enterprise, to finance its activities cannot exceed statutory limits and must be registered with SAFE or its local branches. We may also decide to finance our PRC subsidiary by means of capital contributions. These capital contributions must be registered with the SAMR or its local branches.

We cannot assure you that we will be able to complete the necessary government registrations on a timely basis, or at all, with respect to making future borrowings or capital contributions to our PRC subsidiary with the **[REDACTED]** from the **[REDACTED]**. Should we fail to complete such registrations, our ability to contribute additional capital to fund our PRC operation may be negatively affected, which could materially adversely affect our liquidity as well as our ability to fund and expand our business.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our officers.

Our Company was incorporated under the laws of the Cayman Islands and a part of our businesses, assets and operations is located in the PRC. It may not be possible to effect service of legal process upon us or officers in the PRC. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgements of the PRC courts have been recognised before in that jurisdiction (subject to the satisfaction of other requirements). The PRC does not have treaties providing for the reciprocal recognition and enforcement of civil judgments of courts of the United States, the United Kingdom, Japan and most other western countries. Therefore, it may be difficult for you to enforce against us and our officers in the PRC any judgments obtained from non-PRC courts.

There are certain uncertainties regarding the interpretation and enforcement of PRC laws and regulations.

Some of our operations are based in the PRC and are subject to the laws and regulations of the PRC. The PRC legal system is based on statutory laws. Under this system, prior court decisions may be cited for reference but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive legal system and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. As these laws and regulations are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws and regulations involve certain uncertainties. Such uncertainties may lead to difficulties in enforcing our rights and in resolving disputes with any persons, and could result in unanticipated costs and liabilities.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the **[REDACTED]**, no public market for our Shares existed. Following the completion of the **[REDACTED]**, the Stock Exchange will be the only market on which our Shares will be publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the **[REDACTED]**. In addition, we cannot assure our investors that our Shares will be traded in the public market subsequent to the **[REDACTED]** at or above the **[REDACTED]**. The **[REDACTED]** for our Shares is expected to be fixed by the **[REDACTED]**, and may not be indicative of the market price of our Shares following the completion of the **[REDACTED]**. If an active trading market for our Shares does not develop or is not sustained after the **[REDACTED]**, the market price and liquidity of our Shares could be materially adversely affected.

Investors may experience dilution if we issue additional Shares in the future.

We may issue additional Shares upon exercise of options to be granted under the **[REDACTED]** and/or the Share Option Scheme in the future. The increase in the number of Shares outstanding after such issue would result in reduction in the percentage ownership of our Shareholders and may result in a dilution in their earnings and net asset value per Share. In addition, we may need to raise additional funds in the future to finance our 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 our then existing Shareholders, the shareholding of such Shareholders 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 public market could materially adversely affect the market price of our 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 of any future sales of our Shares by any of our Controlling Shareholders on the market price of our 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 adversely affect the prevailing market price of our Shares.

Investors 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 laws may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company was incorporated in the Cayman Islands and our affairs are governed by the Articles, the Companies Act 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 our investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong. A summary of the Cayman Islands company laws on protection of minority Shareholders is set out in Appendix III to this document.

There is no assurance that we will pay dividends in the future.

We declared dividend of approximately HK$50.3 million, HK$41.0 million, HK$14.6 million and HK$4.0 million for the three years ended 31 March 2022 and six months ended 30 September 2022, respectively. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our operations and earnings, general financial condition, capital expenditure and future development requirements and our Articles of Association, applicable laws and other relevant factors. For further details, please refer to the paragraph headed "Financial Information – Dividends and dividends policy" in this document. We cannot assure investors when or whether we will pay dividends in the future.

Investors 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 statements.

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 emphasise to potential investors that neither we nor any of the Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, our Directors, officers, employees, advisers, agents or representatives of any of them, or any other professional parties involved in the **[REDACTED]** has authorised 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 authorised 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 or 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 for the **[REDACTED]**. You should rely only on the information contained in this document.

There are uncertainties and risks associated with forward-looking statements.

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "of the view", "consider", "aim", "expect", "believe", "intend", "can", "going forward", "could", "anticipate", "estimate", "should", "plan", "potential", "project", "seek", "would" and "will". Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future business, operations, liquidity and capital resources. Purchasers of our Shares are cautioned that any forward-looking statements are subject to uncertainties and that, although we believe the assumptions on which the forward-looking statements are based are reasonable, any or all of these assumptions could be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by us that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements in this document, whether as a result of new information, future events or otherwise.