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## RISK FACTORS

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*Prospective investors should carefully consider all the information in this prospectus including the risks and uncertainties described below, prior to making an investment in the Share Offer. Prospective investors should pay particular attention to the fact that we conduct our operations in Macau and are governed by the local legal and regulatory environment which in some respects may differ from that prevailing in other countries. The business, results of operations, financial conditions and prospects of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties and prospective investors may lose all or part of their investment.*

### **A. RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP**

#### **Our limited operating history makes it difficult to evaluate our results of operations and prospects**

We were established in 2014 and have a limited operating history. Our revenue increased by approximately HK\$48.1 million or 40.8% from approximately HK\$117.6 million for FY2017 to approximately HK\$165.7 million for FY2018. For 4M2019, our revenue amounted to approximately HK\$62.2 million, representing an increase of approximately HK\$8.9 million or 16.7% from approximately HK\$53.3 million for 4M2018. Although we have experienced revenue growth during the Track Record Period, we cannot assure you that our revenue will continue to increase at previous rates or at all, or that we will be able to operate profitably in future periods. Our limited operating history makes the prediction of future results of operations difficult, and therefore past revenue growth experienced by us should not be taken as indicative of our future performance. You should consider our business and prospects in light of the risks, uncertainties, expenses and challenges that we face.

#### **Our major suppliers might opt to deal with our customers directly, alternatively our travel agent customers may source hotel rooms from each other, thereby bypassing us**

During the Track Record Period, we purchased guaranteed or non-guaranteed number of hotel rooms from various hotel operators, and sold and distributed the hotel rooms to our customers. Our customers were mainly travel agents and corporate customers, which might overlap with the target customers of the hotel operators. Despite that the main distribution channel for hotel operators to sell hotel rooms is through wholesale travel agencies as disclosed in the paragraph headed “Industry overview — Market overview of the travel agent industry in Macau” in this prospectus, there is no assurance that the hotel operators will not cease to cooperate with us and directly conduct business with our travel agent customers who might also be wholesale travel agents, or with our retail customers directly. In such cases, our business and financial performance will be adversely affected.

In addition, according to the Ipsos Report, it is a normal industry practice for wholesale and retail travel agents in the tourism industry to source hotel rooms from each other as it is not possible for travel agents to have access to and have contractual relationship with every single hotel operator in Macau. There is no assurance that our travel agent customers will not source hotel rooms from other travel agents instead of from us. In such cases, our business and financial performance may be adversely affected.

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## RISK FACTORS

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**Our revenue was substantially generated from the sales and distribution of hotel rooms supplied by L’Arc Hotel Macau, and our business and results of operation may be adversely affected if (i) L’Arc Hotel Macau terminates or refuses to renew the relevant Hotel Rooms Guarantee Agreement or (ii) the renewed terms become less favourable to us**

We have been selling and distributing hotel rooms supplied by L’Arc Hotel Macau. Our revenue was substantially generated from the sales and distribution of hotel rooms supplied by L’Arc Hotel Macau, which accounted for approximately 55.1%, 56.9% and 50.5% of our total revenue for FY2017, FY2018 and 4M2019, respectively.

We have established business relationship with L’Arc Hotel Macau since 2014, and the number of hotel rooms provided by L’Arc Hotel Macau has gradually increased from six hotel rooms per day to 157 hotel rooms per day on average as at 30 April 2019. The Hotel Rooms Guarantee Agreement we entered into with L’Arc Hotel Macau will expire on 31 July 2021. Either party to the Hotel Rooms Guarantee Agreements has the right to terminate the agreement by giving not less than 30 days’ written notice.

Our business, financial position and results of operation may be materially and adversely affected if the Hotel Rooms Guarantee Agreements with L’Arc Hotel Macau is terminated for whatever reason or is not renewed. There is also no assurance that the Hotel Rooms Guarantee Agreements will be renewed on the current terms, or at all.

If the terms or pricing of the hotel rooms of any renewed Hotel Rooms Guarantee Agreements become less favourable to us, our business, profitability, financial position and results of operations may also be materially and adversely affected.

**We are committed to secure a guaranteed number of hotel rooms at Pre-determined Room Rates with various hotels operators, in particular, L’Arc Hotel Macau. We may suffer from a decrease in profits or record a loss from the sales and distribution of the guaranteed hotel rooms if we are unable to sell and distribute the hotel rooms at rates higher than their respective Pre-determined Room Rates or if L’Arc Hotel Macau reduces the number of hotel rooms sold to us**

We cooperate with various hotel operators, particularly L’Arc Hotel Macau which was our largest supplier during the Track Record Period, to secure fixed numbers of guaranteed hotel rooms at Pre-determined Room Rates. For FY2017, FY2018 and 4M2019, the cost of guaranteed hotel rooms at Pre-determined Room Rates amounted to approximately HK\$81.5 million, HK\$115.8 million and HK\$43.2 million, respectively. Since we have entered into and intend to continue to enter into agreements with various hotel operators to secure fixed numbers of guaranteed hotel rooms at Pre-determined Room Rates with contract terms generally ranging from three months to three years, we are and will be required to purchase fixed numbers of guaranteed hotel rooms at Pre-determined Room Rates regardless of whether or not we are or will be able to sell and distribute the guaranteed hotel rooms at rates higher than their respective Pre-determined Room Rates, or at all. Given our Distribution Agreements and Cooperation Agreements contain profit and loss sharing arrangement, our Group shared losses of approximately HK\$1.7 million, HK\$1.8 million, HK\$0.7 million and HK\$0.3 million in aggregate being borne by our Group, arising from the sales and distribution of hotel

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## RISK FACTORS

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rooms at loss or unsold rooms under Distribution Agreements and Cooperation Agreements for FY2017, FY2018, 4M2018 and 4M2019, respectively. In the event that we are unable to sell and distribute the guaranteed hotel rooms at rates higher than their respective Pre-determined Room Rates, or at all, we will suffer losses, which could materially and adversely affect our results of operations.

The demand for our guaranteed hotel rooms is sensitive to the market situation such as the global economic conditions or the popularity of L'Arc Hotel Macau. If there is any significant economic downturn or recession in the global economy or if there is any negative publicity associated with L'Arc Hotel Macau, the demand for our guaranteed hotel rooms may drop significantly, and failure to sell and distribute the guaranteed hotel rooms by us could have an adverse effect on our business and financial performance.

Furthermore, in the event that various hotel operators, which provide us with fixed numbers of guaranteed hotel rooms, fail to provide us with the agreed number of hotel rooms due to unforeseen circumstances, our business and financial performance may adversely be affected.

**We sold and distributed a significant portion of the hotel rooms of L'Arc Hotel Macau through Customer A. If Customer A ceases to procure hotel rooms of L'Arc Hotel Macau from us and we are unable to find a replacement on a timely basis, we may not be able to sell and distribute the hotel rooms of L'Arc Hotel Macau secured by us and our operations and financial performance may be adversely affected**

During the Track Record Period, we sold and distributed a significant portion of the hotel rooms of L'Arc Hotel Macau through Customer A under the Distribution Agreements. For FY2017, FY2018 and 4M2019, we sold and distributed approximately 44,000, 43,000 and 9,000 hotel rooms of L'Arc Hotel Macau through Customer A, representing approximately 84.7%, 68.0% and 49.4% of the total hotel rooms of L'Arc Hotel Macau sold and distributed by our Group for FY2017, FY2018 and 4M2019, respectively. For FY2017, FY2018 and 4M2019, we generated revenue of approximately HK\$53.9 million, HK\$63.2 million and HK\$14.9 million, respectively, through Customer A under the Distribution Agreements, representing approximately 45.8%, 38.2% and 24.0% of our total revenue, respectively.

Pursuant to the Distribution Agreements, Customer A has no contractual purchase commitment. However, under the Hotel Rooms Guarantee Agreement, our Group commits to purchase a fixed number of hotel rooms of L'Arc Hotel Macau from time to time. If Customer A ceases to procure hotel rooms from us, there is no assurance that we will be able to find a replacement on a timely basis, and thus we may not be able to sell and distribute the hotel rooms of L'Arc Hotel Macau secured by us and our operations and financial performance may be adversely affected.

**Our revenue was substantially generated from or through Customer A and any decrease or loss of business from Customer A could adversely and substantially affect our operations and financial position**

During the Track Record Period, our Group had reliance on Customer A, being our largest customer. During the Track Record Period, we entered into the Distribution Agreements for the sales and distribution of hotel rooms of L'Arc Hotel Macau and the Cooperation Agreements for the sales and distribution of hotel rooms other than those of L'Arc Hotel Macau with Customer A. We have

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## RISK FACTORS

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derived a substantial portion of our revenue from and through Customer A. For FY2017, FY2018 and 4M2019, we generated revenue from Customer A, which accounted for approximately 35.0%, 19.2% and 21.5% of our total revenue, respectively, and we generated revenue through Customer A of approximately 45.8%, 38.2% and 24.0% of our total revenue, respectively. We expect to continue to derive a significant amount of our revenue from and through Customer A in the near future.

There is no guarantee that we can renew our Distribution Agreements and Cooperation Agreements with Customer A. Despite we are the major source of the hotel rooms of L'Arc Hotel Macau in the market and we have make significant efforts to expand our customer base, we cannot assure you that we can reduce our reliance on Customer A in the foreseeable future. Any change or deterioration in our relationship with Customer A may cause a significant adverse impact on our business, financial condition and results of operations.

Even if we manage to secure a substitute Selected Partner, it might take time and resources for us to develop the relationship with the new Selected Partner to a scale comparable to Customer A, and during such period, there may be disruption to our business operation.

**Our upfront deposit paid to L'Arc Hotel Macau has not been adjusted upward since we first established business relationship with L'Arc Hotel Macau in 2014. Any upward adjustment of our upfront deposit to L'Arc Hotel Macau may adversely affect our financial position**

Our Group first established business relationship with L'Arc Hotel Macau in 2014, and paid an initial upfront deposit of MOP200,000 (the “**Initial Upfront Deposit**”) to L'Arc Hotel Macau based on the deposit rate per hotel room and the actual number of hotel room secured by us, being six hotel rooms per day on average. Taking into account of our credit record in settling payments since the establishment of business relationship, L'Arc Hotel Macau did not adjust the Initial Upfront Deposit upward despite the number of hotel rooms supplied to our Group has subsequently increased. Despite that the Initial Upfront Deposit has not been adjusted since 2014, there is no assurance that L'Arc Hotel Macau will not adjust the Initial Upfront Deposit in the foreseeable future. In the event L'Arc Hotel Macau increases the required upfront deposit, we are obliged to pay the additional upfront deposit and our liquidity and financial condition may be materially and adversely affected. In addition, in the event we are unable to generate sufficient cash flow from our operations or otherwise unable to obtain sufficient funds to finance the payment of additional upfront deposit, our established business relationship with L'Arc Hotel Macau may be materially and adversely affected, and the guaranteed number of hotel rooms may be reduced which may in turn materially and adversely affect our revenue and profitability.

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## **RISK FACTORS**

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### **We are dependent on our Selected Partners' business performance**

As a travel agent that derives a significant portion of our revenue generated from the sales and distribution of hotel rooms through Selected Partners in Macau, our business performance will therefore, to a large extent, be affected by our Selected Partners' business performance. If there is any disruption to the operations of our Selected Partners or if their sales decline, our business, financial condition and results of operations may be materially and adversely affected.

### **We are subject to the credit risks of our Selected Partners and other customers and we may not receive full and/or timely payment of our trade receivables**

As at 31 December 2017 and 2018 and 30 April 2019, our trade receivables amounted to approximately HK\$17.8 million, HK\$17.4 million and HK\$24.3 million, respectively, representing approximately 45.1%, 36.2% and 47.5% of our total current assets as at the respective dates, respectively. Of which, approximately 75.5%, 82.8% and 84.1% of our trade receivables as at 31 December 2017 and 2018 and 30 April 2019 was attributable to our Selected Partners, respectively. If our Selected Partners and other customers delay or default on their payments, we may have to make additional provision for impairment or write off the relevant trade receivables, which in turn may adversely affect our liquidity, financial condition, results of operations and growth prospects.

### **Our revenue was mainly derived from the sales and distribution of hotel rooms in Macau and any increase in the supply of hotel rooms in Macau may adversely affect our revenue and profitability**

During the Track Record Period, the revenue of our Group was mainly derived from the sales and distribution of hotel rooms in Macau. According to the Ipsos Report, there was an increase in supply of the hotel rooms in Macau at a CAGR of approximately 7.0% from 2013 to 2018. If the increase in the availability of hotel rooms in Macau exceeds the growth of the demand for hotel rooms in Macau, the demand for and/or market price of the existing hotel rooms may drop and our revenue and profitability may be materially and adversely affected.

### **Our business, financial condition and results of operations may be adversely affected by any increase in the cost of the hotel rooms or other operating costs**

Certain types of costs in our services, such as costs of hotel rooms and cost of car rental services, are subject to volatility caused by external conditions, including changes in governmental policies. For FY2017, FY2018 and 4M2019, our cost of hotel rooms accounted for approximately 90.5%, 92.1% and 92.3% of our cost of sales and our cost of car rental services accounted for approximately 4.0%, 4.3% and 5.6%, of our costs of sales, respectively. In addition, according to the Ipsos Report, in December 2017, the number of light vehicles in Macau totalled 107,403 but there were only 15,303 parking spaces available in the 45 public parking lots, which indicated a significant shortage of parking space which may in turn result in an increase in our operating costs.

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## RISK FACTORS

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We cannot assure you that our suppliers and landlords will continue to provide us with the hotel rooms and parking spaces at reasonable prices, or other costs will remain stable in the future. In addition, we may not be able to transfer some or all of the increase in costs to our customers. As a result, any increase or material fluctuation in the cost of our hotel rooms, cost of car rental services, parking spaces or other costs could have a material adverse effect on our business, financial condition and results of operations.

### **Our business and operating results may fluctuate significantly due to seasonality**

Our Directors consider that our overall business and operating results may fluctuate significantly from time to time due to seasonal demand. During the Track Record Period, our business was generally higher during holiday and festival periods such as schools summer holidays, Christmas, Chinese New Year and Chinese National Day. Moreover, the demand for our hotel rooms may generally increase due to concerts, exhibitions and events in Macau. As such, our business and operating results may fluctuate significantly from time to time and comparison of operating results of different periods may not be meaningful. The results for a certain financial period of our Group are not necessarily indicative of the results to be expected for any other financial period.

### **We recorded net cash used in operating activities for FY2017. We cannot assure you that we will not experience any net cash used in operating activities again in the future**

We recorded net cash used in operating activities of approximately HK\$1.0 million for FY2017. This was primarily attributable to (i) increase in trade receivables, deposits and prepayment of approximately HK\$11.9 million; (ii) increase in amount due from a director of approximately HK\$8.0 million; (iii) decrease in amount due to a director of approximately HK\$2.2 million; and (iv) increase in amounts due from related companies of approximately HK\$2.2 million. For detailed analysis on our cash flows, please refer to the paragraph headed “Financial information — Liquidity and capital resources — Cash flows” in this prospectus.

Notwithstanding that we recorded net cash generated from operating activities of approximately HK\$23.0 million, HK\$11.8 million and HK\$2.1 million for FY2018, 4M2018 and 4M2019, respectively, there is no assurance that our Group will not experience net cash used in operating activities again in the future.

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

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## **RISK FACTORS**

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**Our revenue was mainly derived from the sales and distribution of hotel rooms in Macau. Any sub-standard performance of the hotels may adversely affect our reputation**

Our revenue was mainly derived from the sales and distribution of hotel rooms in Macau, and our Group has relied on the hotel operators to provide the hotel rooms and services to the occupants. The quality of hotel rooms and services provided by the hotel operators are not within our control, and our Group may not be able to respond to any sub-standard performance of the hotels promptly during the stay of the occupants. Notwithstanding our customers for hotel rooms mainly included Selected Partners and travel agents, the ultimate consumers of the hotel rooms are the occupants. If the occupants of the hotel rooms are dissatisfied due to the sub-standard performance of the hotels, it could adversely affect our reputation and demand for the hotel rooms sold and distributed by our Group, and may in turn adversely affect our business, financial condition and operating results.

**Our Group may fail to effectively respond to the growing trend of independent travel**

Our Directors consider that the success of our future business is dependent on our ability to offer services based on the changing market trends, expectations and other preferences of our existing and potential new customers. According to the Ipsos Report, there is a growing trend of independent travel instead of guided tours or travel packages and it is expected to negatively impact the travel agent industry and intensify competition. Since some of our customers are travel agents which primarily provide guided tours and/or travel packages, if our Group is unable to effectively respond to the changes of such market trend, our business, financial condition and results of operations may be adversely affected.

**We rely on certain key personnel and are exposed to risks associated with retention and recruitment of competent personnel**

Our success and growth are, to a significant extent, attributable to the strategies and vision of our Directors, in particular Mr. Choi, being the chief executive officer and the chairman of our Board, and the continuous contributions of our senior management team, which have a comprehensive understanding of our customers' requirements and play significant roles in our day-to-day operations as set out under the section headed "Directors, senior management and employees" in this prospectus. While we endeavour to provide a competitive remuneration package to our staff and ensure they are appropriately rewarded, the competition for competent personnel in the travel industry is intense and we may not be able to attract or retain the services of the key personnel for our business in the future. If any of our key personnel cease to be involved in our business in the future and we fail to timely find suitable replacements, our operations, growth prospects and profitability could be materially and adversely affected.

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## **RISK FACTORS**

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### **Risks associated with our computer hardware or software system and data storage and potential computer system failure and disruptions**

Part of our work is substantially carried out by computers and software such as a computer system to monitor daily sales operation and an accounting system for processing analysis of our operating and financial data. Our computer hardware, software and data storage are maintained by our employees. The computer servers of our Group are currently situated at our offices in Macau with restricted access only to authorised personnel. Our back-up facilities may experience malfunction in the event of a physical breakdown of or damage to our computer hardware, software and data storage, which may lead to a loss of data.

Despite that we have implemented security measures to our information technology system, there is no assurance that our Group has sufficient ability to protect our computer hardware, software and data storage from all possible damage, including telecommunications breakdown, electricity failure or other unexpected events. Any damage to our computer hardware, software and data storage will cause business interruptions to our Group, thus will directly and adversely affect our operating performance. Any damage to our computer hardware, software and data storage may have a material impact on our operating performance and reputation.

The network computer system of our Group may be vulnerable to the attack of computer viruses, worms, trojan horses, hackers or other computer network disruptions. Any failure in safeguarding our computer network system from these disruptions may cause the breakdown of our computer network system and/or leakage of confidential information, including the information of our business and our customers. There is no assurance that our computer network system is absolutely secure. Any failure in the protection of our computer network system from external threats may cause disruption to our operations and may damage our reputation for any breach of confidentiality to our customers and in turn, may indirectly and adversely affect the business operations and performance of our Group.

### **Our Group may not be able to implement our future plans after the Listing**

Our Directors consider that the growth of our business and operation depends on, among other things, the proper execution of our future business plans. Some of our future business plans, as disclosed in the section headed “Future plans and use of proceeds” in this prospectus, are still in the preliminary stages of planning. Some assumptions in support of the said future plans are based on uncertain future events which may or may not occur as presumed. Our Group could not guarantee the proper implementation of our future plans. Accordingly, our business, profitability, financial condition and operations may materially and adversely affected if we could not successfully carry out the said future plans.

As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services in the fourth quarter of 2019. We have been liaising closely with different government authorities in Hong Kong in relation to the application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. For details of the requirements for operating the point-to-point cross-border transportation services, please refer to the section headed “Regulations” in this prospectus. There is no assurance that the



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## RISK FACTORS

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Hong Kong and Macau governments will not impose new requirements and procedures for the provision of cross-border transportation services. In addition, there is no assurance that we will be able to fulfil any new requirements and procedures when they are promulgated. Any delay or failure to obtain fulfil any new requirements and procedures may hinder the extension of our car rental services to point-to-point cross-border transportation services.

**Our insurance coverage may be insufficient to cover all risks and losses and we may need to absorb the losses by ourselves**

During the Track Record Period, our Group has maintained various insurance policies to cover certain types of losses, damages and liabilities. However, there are certain types of losses such as personal accident, loss of money, public liability, theft or robbery and loss of property might not be covered by our insurance policies. In addition, the limitations and conditions imposed by the insurers could not cover all circumstances of all losses and damages which may be suffered by our Group. Further, the amount of coverage under each of the insurance policies may not be sufficient to cover all losses and damages and we may have to bear such losses, damages or liabilities by ourselves and our business operations and financial results may be adversely affected.

**The actions of our employees may adversely affect our reputation**

We cannot assure you that all the actions taken by our employees will meet our own standards, applicable laws and regulations and our customers' expectations, as it is difficult for us to effectively monitor all the actions of our employees at all times. In addition, there is also no assurance that our employees can resolve the complaints from our customers satisfactorily. We could be held financially liable for any inappropriate actions of our employees and our reputation could be materially and adversely affected by their actions, which could lead to a material adverse effect on our business, results of operations, and financial condition.

**Our continuing success depends on our reputation and any damage to our reputation could materially and adversely affect our business and operating results**

We believe our success in the past was dependent on our reputation established over the last four years of business. However, our reputation may be damaged by various factors including adverse publicity and customers' complaints regarding our products and services. Any damage to our reputation may have an adverse impact on our business, results of operations and prospects.

**There is no guarantee that we can renew our existing licence and authorisation nor launch our point-to-point cross-border transportation services as scheduled**

Our business operations in Macau are subject to the regulatory requirements under the provisions of the Decree Law no. 48/98/M of Macau and the Decree Law no. 52/84/M of Macau.

Under Decree Law no. 48/98/M of Macau, we are required to hold a valid licence issued by the MGTO to carry on business as a travel agent to operate our travel agent business. In addition, under Decree Law no. 52/84/M of Macau, we are required to obtain an authorisation issued by the MGTO to provide self-drive rent-a-car services. During the Track Record Period and up to the Latest Practicable Date, we have (i) obtained the material licence and authorisation for carrying on our

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## RISK FACTORS

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business activities; and (ii) satisfied all criteria and requirement of licencing in Macau. The travel agent licence is valid for one year and is subject to renewal every year. However, renewability is subject to the fulfilment of the standard and requirements set out by the relevant regulatory authorities. We cannot guarantee that our licence will be renewed upon expiry and that our authorisation will not be revoked. If we are unable to renew our licence or our authorisation is revoked, our business, profitability and financial position may be materially and adversely affected. For details of the licencing and authorisation requirements for travel agents and the provision of self-drive rent-a-car services in Macau, please refer to the paragraphs headed “Regulations — Macau — Travel agent” and “Regulations — Macau — Self-drive rent-a-car service” in this prospectus.

Our Group has been granted three out of 40 permits by the Transport Bureau of Macau, each of which allows one vehicle to cross the HZMB. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of point-to-point cross-border transportation services between Macau and Hong Kong and have been liaising closely with different authorities in Hong Kong in relation to the requirements for the provision of our point-to-point cross-border transportation services. There is no assurance that the relevant licence will be obtained in the fourth quarter of 2019 as scheduled. For details of the requirements for operating the point-to-point cross-border transportation services, please refer to the paragraph headed “Regulations — Macau — Regulatory regime in relation to our business operation in Macau — Cross-border passenger transportation” in this prospectus.

The non-renewal, non-approval, revocation or suspension of the licence, permits or authorisation, or the imposition of any penalties, whether as a result of the infringement of regulatory requirements or otherwise, could have a material adverse impact on our business, financial condition and operating results.

In addition, according to the Ipsos Report, given the cross-border permits have only been recently launched, the Macau government will observe the performance after running a certain period of time before deciding whether further permits will be issued. Each permit for the provision of cross boundary car rental services issued by the Macau government has a validity of three years and can be renewed once, hence, bringing the maximum validity period of one permit to six years. Upon the expiry of the permit, the Macau government may make new arrangement. Despite that it is not promulgated that the Macau government has any plans of making any new issuance of permits, there is no assurance that the Macau government will not issue more permits to allow additional vehicles to cross the HZMB. In the event the Macau government issues more permits, it may have a material adverse effect on our business, financial condition and financial results when we commence our point-to-point cross-border transportation services.

### **Increased market competition may have a material adverse effect on our business, financial condition and operating results**

The degree of competition of the travel industry in Macau is relatively high and has a large number of players since there is no significant entry barrier in the industry. As at 30 June 2019, there were approximately 227 licensed travel agents in Macau which provide travel-related products and services. We compete with other travel agents and vehicle rental businesses, some of which are specialised in certain products or may have a longer operating history, larger customer bases and/or

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## RISK FACTORS

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greater financial, technical, marketing and other resources including service points. We cannot assure you that there will not be new entrants or that hotel operators will not enter into sales agreements with new travel agents which may compete with us. We also face competition from hotel operators which offer their hotel rooms and services directly to their customers.

Despite that as at 30 June 2019 the Macau government only issued 40 permits for crossing the HZMB and only four companies (including our Group) obtained the authorisations for providing self-drive rent-a-car services in Macau, there is no guarantee that the Macau government will not issue more permits or authorisations in the future, in which case we will face an increased level of competition for the point-to-point cross-border transportation business and self-drive rent-a-car services. In addition, any increase of radio taxi licences might lead to an increasing level of competition in Macau car rental services industry, which might undermine the profit margin of car rental services companies.

In order to maintain and improve our service standards as well as to respond to our competitors' technological advances, we would need to continue to improve and upgrade our systems, technology, networks and infrastructure which will require us to commit substantial financial, operational and technical resources. However, we may fail to use, implement or integrate such new technology and products effectively or at all, or may fail to adapt such technology, systems, network and infrastructure to our customers' requirements on a timely basis or at all.

There is no assurance that we will be able to remain competitive. We may not be able to respond effectively to our competitors' pricing strategies, technological advances, advertising campaigns, strategic partnerships and other initiatives. Failure to continuously offer quality products and services to meet our customers' demands and changing needs, or to develop and introduce new products or enhance existing products and services in a timely manner in response to the changing market conditions or consumer preferences may materially and adversely affect our market share. This may in turn adversely affect our business, financial conditions and operating results.

### **B. RISKS RELATING TO THE TRAVEL INDUSTRY**

#### **Our revenue was mainly derived from Macau and our sales performance is susceptible to changes in Macau as well as the PRC policies and economic environment**

During the Track Record Period, our revenue was mainly generated from the Macau market. Our Group anticipates that sales in Macau will continue to represent the primary geographical source of our revenue in the future. However, the profitability of our business is dependent on, among others, a number of factors relating to the Macau market, such as the purchasing power of the population, the number of and the level of spending by tourists and other visitors, and legislation, regulations and government policies in relation to our business. Furthermore, economic instability has certain effect on the macroeconomics conditions, which would affect the customers' desire to spend.

According to the Ipsos Report, the PRC remained the top country of origin of visitors to Macau, contributing more than 60% of the total visitors to Macau from 2013 to 2018. Due to the integration and alteration of the political environment of the PRC and slowdown of Chinese economic growth, the total spending of visitors in Macau has a decline from approximately MOP61,749 million in 2014 to approximately MOP51,128 million in 2015. In 2017, supported by robust Chinese economic

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## RISK FACTORS

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growth, there was a rebound in mainland Chinese visitors to Macau, which eventually drove up the total spending of visitors in Macau by approximately 16.4% from approximately MOP52,662 million in 2016 to approximately MOP61,324 million in 2017. Overall, the total spending of visitors in Macau fluctuated and it increased at a CAGR of approximately 0.7% over the period from 2013 to 2017.

As a result, our business may be materially and adversely affected in the event of any adverse or unforeseeable change in the economic conditions and policies in Macau and the PRC. There is no assurance assure that such changes will not occur in the future.

### **The travel industry is cyclical and particularly sensitive to economic conditions**

The travel industry has been cyclical and affected by, among other factors, supply of and demand for hotel rooms, car rental services, the rate of economic growth, interest rates, inflation and political and economic developments. Deterioration in the global financial markets and economic conditions have, in the past, reduced, and could reduce, business and consumer travel activities. There may be uncertainties relating to the economic conditions and the demand for travel products and services in the future. Turbulence in the international financial markets and economies, and prolonged declines in business and consumer travel activities, may adversely affect our business, results of operations and future prospects.

### **Any outbreak or threatened outbreak of any severe contagious diseases could adversely affect our business and results of operations**

Any outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza or H1N1 influenza), may materially and adversely affect the overall sentiment to travel products and the business environment in the travel industry, particularly if such outbreak is inadequately controlled. This in turn may materially and adversely affect the number of travellers visiting Macau and their frequency of travel. Our revenue was primarily derived from the sales and distribution of hotel rooms, the provision of car rental services and the sales and provision of air tickets and other ancillary travel-related products and services, as such any slowdown in the travel industry may materially and adversely affect our business and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it may adversely affect or disrupt our operations and adversely affect our results as our Group may be required to close some or all of our offices and service points to prevent the spread of the disease. The spread of any severe communicable disease may also affect the operations of our customers and Selected Partners and this may in turn materially and adversely affect our business and/or results of operations.

### **Our business may be adversely affected in the event of natural disasters, such as typhoons, earthquakes, terrorist attacks, travel-related accidents or other catastrophic events in Macau**

Natural disasters, terrorist attacks, travel-related accidents or other catastrophic events in Macau may materially and adversely affect the sentiment to travel to Macau which may lead to an adverse impact on our business, which is predominantly focused on the sales and distribution of hotel rooms, the provision of car rental services and the sales and provision of air tickets and other ancillary travel-related products and services in Macau. For example, following Typhoon Hato in August 2017, there was an immediate decline in the number of bookings for our products and services in Macau.

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## **RISK FACTORS**

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The occurrence and timing of such events cannot be predicted or controlled by our Group and may have a significant and adverse impact on our business operations and operating results, particularly if we are, or are perceived to be, not reacting appropriately on the occurrence of any such event.

### **Our business may be adversely affected by the recent public assemblies and protests in Hong Kong**

Since June 2019, there has been a series of public assemblies and protests in Hong Kong relating to the proposed amendments to the Fugitive Offenders Ordinance (Chapter 503). Those public assemblies and protests may have a negative impact on the number of travellers visiting Macau and the spending of the travellers visiting Macau, which may lead to reduced rates of hotel rooms offered by us and increase in number of unsold rooms. The occurrence and duration of such public assemblies and protests cannot be predicted or controlled by our Group and may have significant and adverse impact on our business operations and operating results.

### **Our Group may face competition from online travel agents**

Our Group faces competition from online travel agents which have advantage in terms of cost, primarily saving on the rent in Macau and the additional cost of involving specialised staff for on-site sales. According to the Ipsos Report, online booking platforms often provide one-stop booking services for customers to compare and pre-book hotel rooms, transportation tickets and other travel-related products and services. The international accessibility of online travel agents and other online booking platforms together break the geographical barrier and provide similar services for foreigners who are about to visit Macau and also local residences who are planning to travel outbound, when compared with domestic travel agents. These platforms may facilitate visitors from all around the world to plan a trip beforehand by themselves, which become a threat to traditional domestic travel agents. The expanded competition brought by those platforms may adversely affect our performance and profitability.

### **Changes in any obligations arising from legislation, regulatory requirements and other standards of the travel industry to which our Group is subject may have material adverse effect on our business and results of operations**

If the relevant authorities enact additional legislative and regulatory requirements (including rules, guidelines, codes of conduct and policies issued or adopted by governmental and regulatory authorities) or make changes or reformation to the existing laws or regulations that affect the travel industry in Macau and make the regulatory framework more onerous, we may be required to respond to any such changes and may need to change our business or operational practices and/or make changes on our products and services. This may require our Group to incur additional compliance costs. If the compliance costs increase and we are unable to pass on such increased costs to our customers in a timely manner, it may materially and adversely affect our business and results of operations. In addition, if our Group does seek to pass on such costs to the customers, this may reduce the price competitiveness of and, hence, customer demand for, our products and services. Further, any non-compliance with the legislation and regulations may lead to sanctions or liabilities, as well as

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## RISK FACTORS

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damage to our brand name. There can be no assurance that our Group will be able to comply with all the new and applicable legislation and regulations or new changes to the existing laws or regulations, and this may have a material adverse impact on our business, results of operations, financial condition or prospects.

### C. RISKS RELATING TO THE CAR RENTAL SERVICES INDUSTRY

**If we are unable to obtain and maintain adequate parking spaces at reasonable costs, our growth opportunities may be adversely affected**

As at the Latest Practicable Date, all of our 39 carparking spaces were on leased property in Macau, hence we have to compete for the limited parking spaces in Macau. According to the Ipsos Report, the average public parking fees are priced much lower than the average private parking fees. Despite that the Macau government's efforts to provide more public parking spaces, there is a significant shortage of parking spaces in Macau. As at 31 December 2017, the number of light vehicles in Macau totalled 107,403 but there were only 15,303 parking spaces available in the 45 public parking lots. If the shortage of parking spaces continues, it may increase our operating costs, which may in turn affect the profitability of our car rental services.

**The profitability of car rental services in Macau may be adversely impacted by additional radio taxi licences**

In September 2016, Macau Radio Taxi Services Limited was granted licences to operate 100 special radio taxis for eight years starting from 1 April 2017. Special radio taxi services may offer our potential customers with a similar service by providing online and telephone taxi hailing services in Macau. In August 2018, the Transport Bureau of Macau issued a tender for the operation of an additional 200 special radio taxis for eight years that require the taxi operators to use hybrids or environmentally-friendly vehicles with a minimum capacity of six passengers. The introduction of special radio taxis in Macau may decrease the demand for car rental services in Macau and therefore increase the level of competition in the car rental services industry in Macau, which might in turn undermine the demand for and profit margin of our car rental services and adversely affect our results of operations.

### D. RISKS RELATING TO OUR SHARES AND THE SHARE OFFER

**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 Share Offer, there was no public market for our Shares. The initial issue price range to the public for our Shares was the result of negotiations between us and the Sole Bookrunner (for itself and on behalf of the Underwriters), and it may not necessarily be indicative of the market price of our Shares after the Share Offer is completed. The Listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Share Offer, or that the market price of our Shares will not decline following the Share Offer.

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## **RISK FACTORS**

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### **The liquidity and market price of our Shares following the Share Offer may be volatile**

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings, cash flows, new products/services/investments, changes in senior management and general economic conditions could cause the market price of our Shares to change substantially. Any such development may result in large and sudden changes in the volume of and price at which our Shares will trade.

### **Future issues, offers, or sales of our Shares may adversely affect the prevailing market price of our Shares**

Prevailing market price of our Shares may, after the Share Offer, be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of our Shareholders or the perception that such an issue or sale may occur. Our Shares held by our Controlling Shareholders are subject to certain lock-up arrangements for periods up to 24 months after the Share Offer. However, there is no assurance that our Controlling Shareholders will not dispose of any or all of our Shares they may own in the future after the expiration of the applicable lock-up periods. Any future sales, or perceived sales, of substantial amounts of our Shares by our Controlling Shareholders could cause the market price of our Shares to decline significantly as well as materially hinder our ability to raise capital in the future.

### **The Shareholders' interests in our Company may be diluted as a result of additional equity fund raising**

We may issue additional Shares to raise additional funds in the future to finance our business expansion. 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 existing Shareholders, then (a) the shareholding percentage of those existing Shareholders may be reduced and they may experience subsequent dilution; and/or (b) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

### **The price of our Shares may fall before trading begins due to the time lag between pricing and trading of the Offer Shares**

The Offer Price will be determined on the Price Determination Date. The Offer Shares will not commence trading on the Stock Exchange until the Listing Date. Investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date. Accordingly, holders of our Shares bear the risk that the prices of our Shares could fall before trading begins and may be lower than the Offer Price due to adverse market conditions or other adverse developments which may occur between the Price Determination Date and the Listing Date.

### **The Controlling Shareholders have substantial control over us and their interests may not be aligned with the interests of the other Shareholders**

Immediately following the completion of the Capitalisation Issue and the Share Offer, the Controlling Shareholders will continue to have substantial control over us. The Controlling Shareholders, by virtue of the controlling beneficial ownership of our share capital, will be able to

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## **RISK FACTORS**

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exercise significant control and exert significant influence over our business or otherwise on matters of significance and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged and harmed.

### **E. RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES**

#### **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. Whilst our Directors believe that it is prudent for us 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 our Group, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, or any of their respective directors, affiliates or advisers or any other party involved in the Share Offer 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 contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also 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 prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking statements” in this prospectus for further details.



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## RISK FACTORS

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**You should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer**

You should read the entire prospectus carefully and rely solely upon the information in this prospectus in making your investment decisions regarding our Shares. You should note that undue reliance should not be placed on any forward-looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed “Forward-looking statements” of this prospectus. There may be prior to the publication of this prospectus, or subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media and/or research analyst coverage regarding us, our business, our industry and the Share Offer. We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding our Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.