This section contains certain information which is derived from official government resources and a commissioned report, the CH Report, prepared by Crowe Horwath (HK) Consulting & Valuation Limited, which is an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of CH Report which may qualify, contradict or have a material and adverse impact on the information in this section. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters or any other person or party involved in the Share Offer and no representation is given as to the accuracy of the CH Report. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the CH Report up to the Latest Practicable Date.

SOURCE OF INFORMATION

We commissioned CH, an independent industry consultant, to conduct a market analysis of and to provide a research report on the travel service industry in Hong Kong for the period from 2011 to 2020. CH provides independent and objective audit, tax, industry research and advisory services. Certain information set forth in this section has been extracted from the CH Report. The CH Report is independent from our influence. The agreed fee for the research and preparation of the CH Report is HK$400,000. The payment of such amount was not conditional on our successful Listing or on the research findings of the CH Report.

The CH Report was prepared based on a top-down approach, utilised both primary and secondary research, and attempted to cross check each significant finding with multiple sources. Their primary research included site visits, management interviews and consultation with industry consultants to verify information from third party sources and data collection and cleansing. Their secondary research included internet research and articles, publications and knowledge base search. Any projections in the CH Report were done utilising a mix of both qualitative and quantitative analysis. Whenever applicable, a set of historical data is used as a basis for its projections, and if necessary, adjustments are subsequently made for projection purposes and to ensure data relevance.

The following principal assumptions are used in the CH Report:

- There will not be substantial incidents such as political, administrative developments or natural disasters causing the economic condition to differ significantly from the forecasts, or adversely affect the travel service industry in Hong Kong.

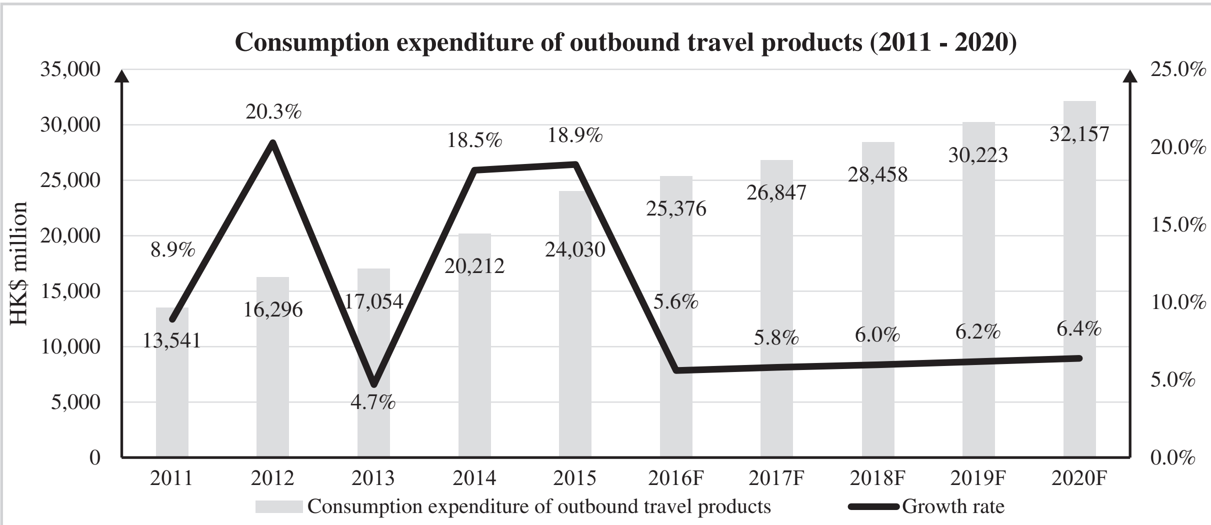
- The economy of Hong Kong will not experience significant and substantial recession in near future.

Except as otherwise noted, all the data and forecasts in this section are derived from the CH Report. Our Directors, after reasonable investigation, confirm that they were not aware of any adverse change to the market information since the date of the CH Report which may qualify, contradict or have an impact on the information in this section.

CHARACTERISTICS OF THE HONG KONG ECONOMY RELEVANT TO THE TRAVEL SERVICE INDUSTRY

Consumption expenditure on outbound travel products

According to Census and Statistics Department of Hong Kong, the outbound tourism expenditure rises from approximately 0.7% to approximately 1.0% of Hong Kong GDP from 2011 to 2015. The outbound tourism consists of expenditure on (i) travel agency, reservation service and related activities; and (ii) cross-boundary passenger transport services. The total consumption expenditure on outbound travel products continued to grow constantly, from approximately HK$13.5 billion in 2011 to approximately HK$24.0 billion in 2015, representing a CAGR of approximately 15.4%. The consumption expenditure of outbound travel products is expected to continue to grow from 2016 to 2020. The consumption expenditure on outbound travel products is expected to grow along the growth rate of Hong Kong GDP.



Source: Census and Statistics Department of Hong Kong; Crowe Horwath

High spending power of Hong Kong people

According to the CH Report, the international tourism expenditure of Hong Kong tourists was steadily increasing from 2012 to the first half of 2016 due to high spending power of Hong Kong tourists. It is expected that the spending power of Hong Kong people will keep increasing because Hong Kong economy is suffering relatively less from the uncertainty of global economy compared to other Western countries and Japan. Although the China economy growth in 2016 was slower compared to previous years, it is still the growth engine for the economy of the whole world. Hong Kong can benefit from the continuous growth of the China economy.

Hong Kong resident departures and tourism expenditure

	2012	2013	2014	2015	Six months ended June 2016
Total departures by resident (million)	85.3	84.4	84.5	89.1	45.0
International tourism expenditure (US$ billion)	20.5	21.0	22.1	N/A	N/A

Source: Census and Statistics Department of Hong Kong; World Tourism Organisation (UNWTO); Crowe Horwath

VALUE CHAIN ANALYSIS OF TRAVEL SERVICE INDUSTRY

Travel agents or travel intermediaries

Travel agents or travel intermediaries sell package tours, FIT products and ancillary products to travellers. In the package tours, travel elements such as flights, hotels, meals and transportations are bundled and offered together in an inclusive rate and the tour groups are generally accompanied by tour escorts during the tour. Package tour is a form of product bundling. Travel companies or travel intermediaries also sell FIT products and ancillary products for margin revenue as agents.

Airlines/cruises and hotel operators

Airlines and cruises provide transportation to the travel destination to the travellers. They mainly make profit by cooperating with travel agents or intermediaries. Because of the Internet, sometimes the airline companies could bypass all the intermediaries and approach clients directly. In this case, they are both suppliers and competitors for travel agents. Hotel operators provide accommodation to the travellers. The room rates for hotels with different star-ratings can vary a lot.

Travel services operators / land operators

Travel services operators and land operators act as intermediaries for travel agents. They usually have better knowledge about the local's tourist spots and service providers. These operators make profit by helping travel services companies to source and arrange local accommodation, local transportation such as shuttle bus, ferry, train, tickets of theme parks and travel spots, and catering services.

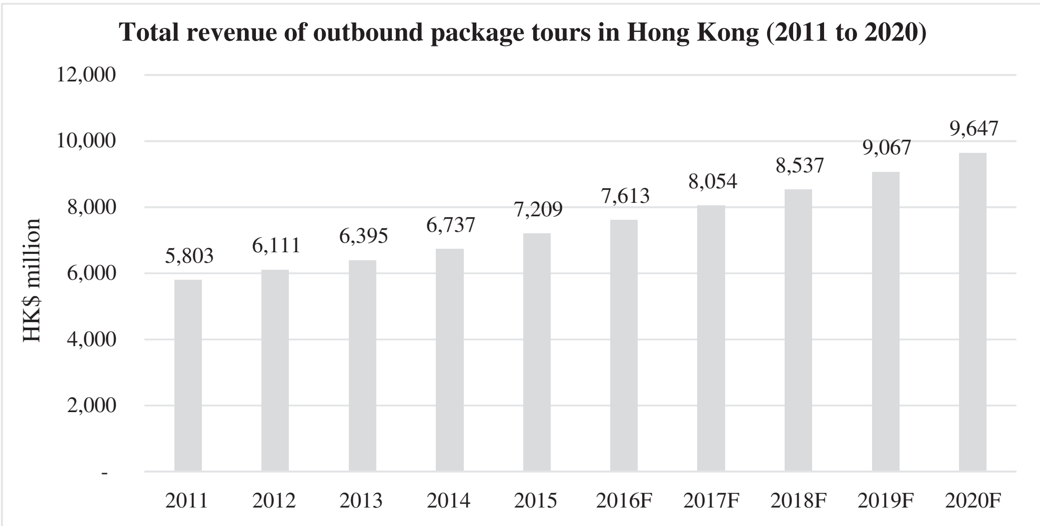
Individual customers/retail customers/corporate customers

Customers have the desire of travelling around the world but they might need some help to plan their trips or implement their travel plans. They could book tour services from the travel agents as they could save their time and efforts for research and planning. Sometimes they would bypass the travel agents if the hotel or airline companies offer better prices.

MARKET OVERVIEW OF TRAVEL SERVICE INDUSTRY IN HONG KONG

Revenue of package tours, FIT products and ancillary travel related products and services

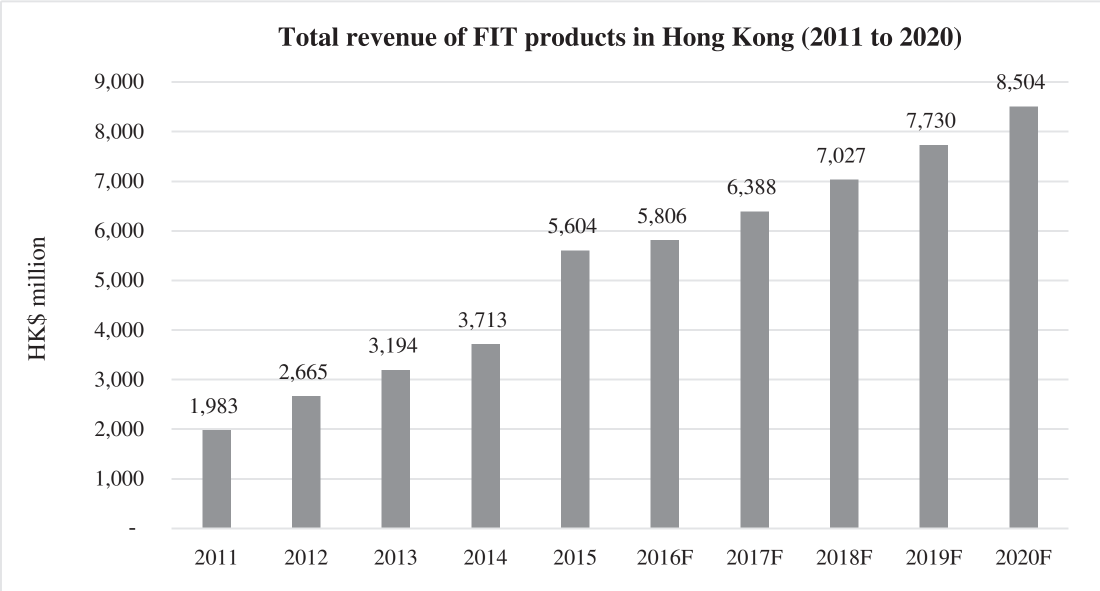
According to the Census and Statistics Department of Hong Kong, expenditure on travel agency, reservation service and related activities accounted for approximately 0.3% of Hong Kong's GDP in all years from 2011 to 2015. It is expected that the percentage remains the same after 2015. The total revenue of package tours in Hong Kong will grow along with Hong Kong GDP. The revenue of outbound package tours in Hong Kong increased from approximately HK$5.8 billion in 2011 to approximately HK$7.2 billion in 2015, representing a CAGR of approximately 5.6%. It is expected that the revenue of outbound package tours in Hong Kong will reach approximately HK$9.6 billion in 2020, representing a CAGR of approximately 6.1% from 2016 to 2020, which is in line with the projected GDP growth of Hong Kong during the same period. The reason for the increase in package tour revenue is that the demand on travelling from Hong Kong people is expected to increase because outbound travelling has become part of a lifestyle for many Hong Kong residents who are always on the lookout for relief from their stressful lifestyles. Also, the United States has entered an interest rate raising cycle, causing the U.S. dollars and Hong Kong dollars to become stronger and stronger. The rise in Hong Kong dollars will raise the outbound consumption ability of Hong Kong visitors.



Source: Census and Statistics Department of Hong Kong; Crowe Horwath

Besides package tour market, FIT product is another major revenue source for travel service industry. Recently, the number of travellers using FIT products is significantly increasing because it creates greater flexibility so that they can tailor make their favourable itineraries depending on their interest and cost budget. According to International Travel Expo Hong Kong, the percentage of all travellers bound from Hong Kong using FIT products increased to approximately 81.0% of total Hong Kong travellers in 2015 from approximately 71.0% of total Hong Kong travellers in 2011.

The revenue of FIT products in Hong Kong increased from approximately HK$2.0 billion in 2011 to approximately HK$5.6 billion in 2015, at a CAGR of approximately 29.7%. The revenue from FIT products is net of costs for suppliers such as hotels, airlines, travel services operators. It is expected that the revenue of FIT products will be approximately HK$5.8 billion in 2016 and will grow to approximately HK$8.5 billion in 2020 with a CAGR of approximately 10.1%.



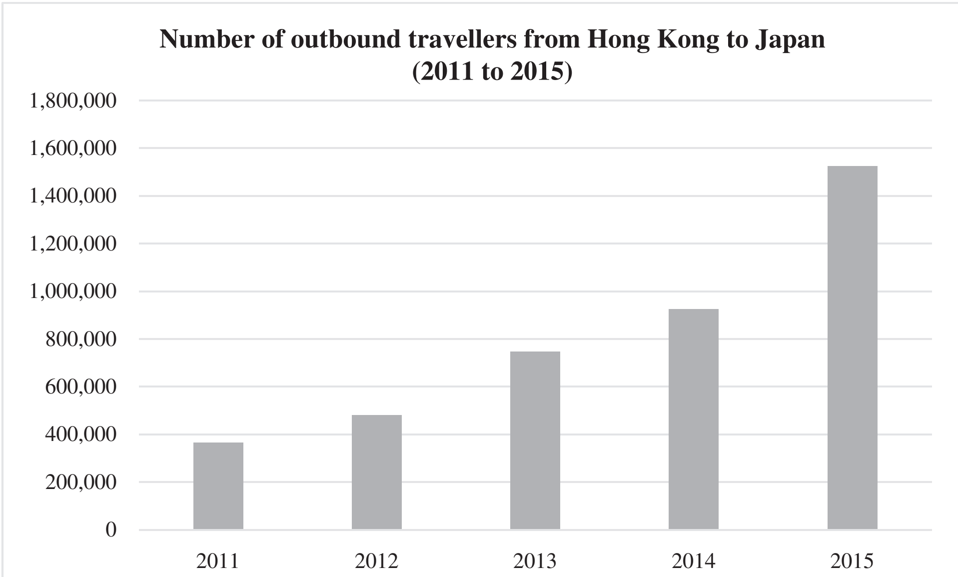
Source: Census and Statistics Department of Hong Kong; ITE; Crowe Horwath

It is expected that the total revenue of FIT products in the travel service industry in Hong Kong will keep increasing because tailor-made preferable trip itinerary imposes an impact to the travel service industry. Travellers can tailor make their favourite travelling itineraries by using FIT products.

Apart from package tours and FIT products, ancillary travel related products and services is another source of revenue for travel service industry. Ancillary products and services refer to all the additional things that travellers may need when going on holidays or taking business trips. A travel agent may offer travellers a wide range of ancillary services just so they could provide them the full package during travelling. Ancillary products and services includes admission tickets to attractions, local transportation, car rental, prepaid telephone and internet cards, travel insurance and travel visa application.

Number of outbound travellers from Hong Kong to different countries

For short haul markets excluding Mainland China, the number of outbound travellers from Hong Kong to Japan was the highest among other countries in 2015, which exceeded that to popular destinations such as Taiwan, South Korea, Thailand and Singapore. For the first ten months of 2016, the number of outbound travellers from Hong Kong to Japan reached to approximately 1,500,000. The total number of outbound travellers from Hong Kong increased from 7,130,199 in 2011 to 10,442,907 in 2015, representing a CAGR of approximately 10%; while the number of outbound travellers from Hong Kong to Japan increased from 364,865 in 2011 to 1,524,292 in 2015, representing a CAGR of approximately 43%. It is expected that the overall number of outbound travellers from Hong Kong to Japan will also be the highest among other short haul markets in whole year of 2016.



Source: Japan National Tourism Organisation

KEY DRIVERS OF THE OUTBOUND TRAVEL SERVICE INDUSTRY IN HONG KONG

Correlation between private income and demand for travel

The number of Hong Kong outbound travellers grew rapidly from 2014 to 2015, which shared the same trend with the average monthly salaries in Hong Kong. According to the CH Report, private income and the demand for travel has a positive relationship that when the private income increases, people will be more willing to spend on travelling and thus the demand for travel will also increase.

Holiday pattern/seasonality

According to the CH Report, holidays such as Chinese New Year, Easter's holiday, Christmas holiday are the peak seasons for travelling. Seasonality, such as March equinox, June Solstice and September equinox, will also be a great driver for people to travel to other areas. When the public holiday combines with weekend, it will motivate people to go travelling as people do not need to apply too many annual leaves for going on outbound travel.

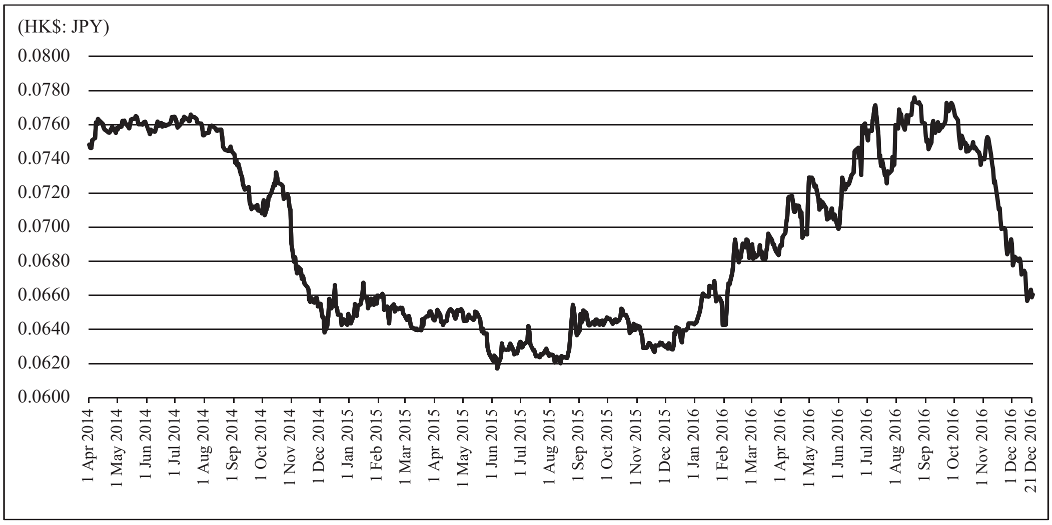
New flight destinations and flight frequency

New flight routes established within five years or to be established soon in 2016 are mainly launched by low-cost carriers, including three airlines from Japan and two airlines from Hong Kong. It can be seen from the new routes that local tourism in Japan has been expanding to include less touched areas, such as Ishigaki, Matsuyama, Oita, Takamatsu, Amami and Miho. These new initiatives will attract travellers of Hong Kong to explore new destinations in Japan.

Trend of Hong Kong dollars versus JPY

According to the CH Report, the future trend of Hong Kong dollars versus JPY is relatively uncertain to predict. It is expected that JPY will fluctuate in short run because of the uncertainty of the global economy, the global political environment and the continuous quantitative easing from the Bank of Japan so as to maintain the competitiveness of Japan. According to the CH Report, the forward rates of JPY against HK$ for three months to one year forward contract as reference to Bloomberg range from HK$0.0666:JPY1 to HK$0.06778:JPY1 as at the Latest Practicable Date.

The chart below shows the exchange rate of Japanese Yen against Hong Kong dollar for the Track Record Period and up to the Latest Practicable Date:



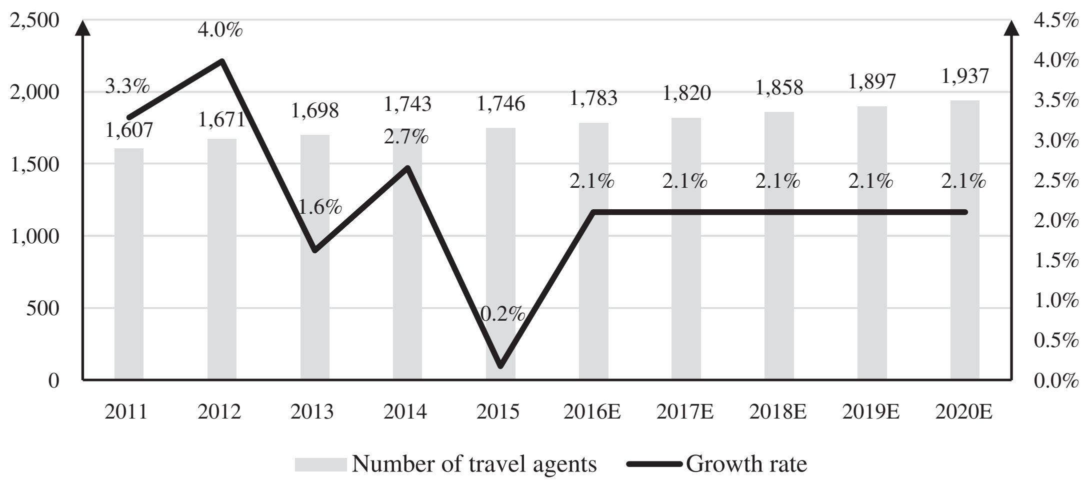
Source: Thomson Reuters Eikon

COMPETITIVE ANALYSIS OF TRAVEL INDUSTRY IN HONG KONG

Competitive landscape

According to the CH Report, the total number of licensed and accredited service providers increased from 1,607 in 2011 to 1,746 in 2015, representing a CAGR of approximately 2.1%. Although the growth slowed down in 2015 due to the decrease in inbound tourism from Mainland China, the total number of outbound travel agencies in Hong Kong increased. It is expected that the number of licensed and accredited service providers after 2015 will steadily increase at approximately 2.1% each year.

Number of licensed and accredited service providers



Source: Census and Statistics Department of Hong Kong; TAR; Crowe Horwath

According to the CH Report, there were 1,756 licensed travel agents in Hong Kong as at the Latest Practicable Date, 560 of which engage in the wholesale and/or operation of package tours. The ten largest licensed travel agents engaging in the wholesale and/or operation of package tours in Hong Kong accounted for over 75% market share in terms of number of Hong Kong travellers who joined package tours in 2015. Based on the number of Hong Kong travellers who joined package tours in 2015, the ten largest market travel agents in 2015 were as follow:

Rank	Name	Market share
		(%)
1	Company A	17.4
2	Company B	16.2
3	Company C	10.5
4	Company D	9.4
5	Company E	6.0
6	Company F	5.8
7	Company G	5.1
8	**Our Group**	**2.6**
9	Company H*(Note)*	1.5
10	Company I	1.4
	Total	75.9

Note: Company H ceased operation as at the Latest Practicable Date.

Source: Crowe Horwath

The main revenue streams of the top ten players include selling of package tours, FIT products and ancillary travel related products and services. All of the top ten market players (other than Company H) offer internet booking of, among others, hotel accommodation, flights or restaurants. According to CH, the top ten players in the package tour market in Hong Kong, including our Group, which represent a majority of the market share, offer a wide range of types of package tours covering high-end and low-end package tours to cater for the preference of different customers. The price range of our Group's package tours bound for Japan was approximately HK$4,000 to approximately HK$63,000 per person and package tours bound for other destination was approximately HK$700 to approximately HK$42,000 per person during the Track Record Period.

Entry barriers to the travel service industry

According to the CH Report, the main entry barriers to the travel service industry in Hong Kong include the following:

- **Licences and membership.** To be a licensed travel agent in Hong Kong, a company must obtain a licence from the TAR and carry on business in accordance with the conditions imposed on the licence. A licence for travel agency is valid for a period of twelve months or a lesser period, subject to payment of the prescribed licence fee and continuous compliance with the requirements under the TAO.

- **Reputation.** The reputation of a travel agent is one of the major considerations for Hong Kong tourists. They normally engage the company with good reputation and medium to large size. It is because there are risks for engaging small travel agent that package tours may be cancelled due to insufficient tourists or the bankruptcy of them. Large and well-known travel agents gain a competitive advantage over the small travel agents.

However, it takes long to build up good reputation and track record, causing high entry barrier for new entrants.

- **Suppliers' network.** Land operators, hotel operators and airlines companies are the major suppliers for travel agents. Maintaining good business relationship with these suppliers is essential. During peak travelling seasons, the services for these suppliers are always full. Having stable suppliers' network can ensure providing stable services to the tourists.

The low-end package tours market is highly fragmented and the competition is very keen. Travellers choosing low-end package tours are generally relatively more price sensitive and have less concern on quality of travel elements, such as transportation and accommodation. While for the high-end package tours market, the competition is comparatively less given that not many market players are able to provide high quality package tours because, in doing so, the travel agents have to secure quality services at competitive prices from suppliers including airlines, hotels and land operators, which depend on the travel agents' track record, reputation in the industry, business relationship with the suppliers and booking volume. Therefore, offering high-end package tours has a higher entry barrier than that of low-end package tours, resulting in less keen competition.

SWOT ANALYSIS OF THE TRAVEL SERVICE INDUSTRY IN HONG KONG

Strength and opportunity

The travel service industry in Hong Kong has benefit from Hong Kong travellers' increasing demand for overseas leisure travel due to their rapidly increasing expenditure ability. Hong Kong people are frequent travellers who like travelling for relaxing due to busy and pressured life. The habit of Hong Kong people benefits the travel service industry.

Theme travel is on an upward trend. Apart from the growth in traditional travellers (e.g. relaxation, sightseeing, family visit and MICE), there is increasing amount of tourists who go for different purposes. Theme travel emerged and spread quickly, such as birthday tour, honeymoon tour, pre-marriage tour, wedding photo tour, eco-tour, volunteer and company visit. The age range of travellers from Hong Kong has also widened to cover more students and the elderly.

Travel service industry in Hong Kong benefits a lot from the visa exemption policy in many countries. Hong Kong people are frequent travellers to overseas due to convenience given that there are over 140 countries which do not require Hong Kong passport holders to apply for a visa.

Weakness and threat

The advance of the Internet causes a great threat to the travel service industry because people, especially the young generation, can easily get travelling information from the Internet and arrange the tours themselves without the services of travel services companies. Online agencies and booking platforms of airlines and hotels make it more convenient and flexible for flight and hotel booking. Online booking platform has strong searching and filter system, which is increasingly popular among individual travellers who pursue economic flight and accommodation offers. Travellers can tailor make their own schedule and book air tickets and hotels through many online booking platforms with very low handling charge. The increasing use of Internet for travel booking and the rapid emergence of online booking platforms pose threat to, and intensify competition within, the travel service industry, especially to traditional offline travel agents.

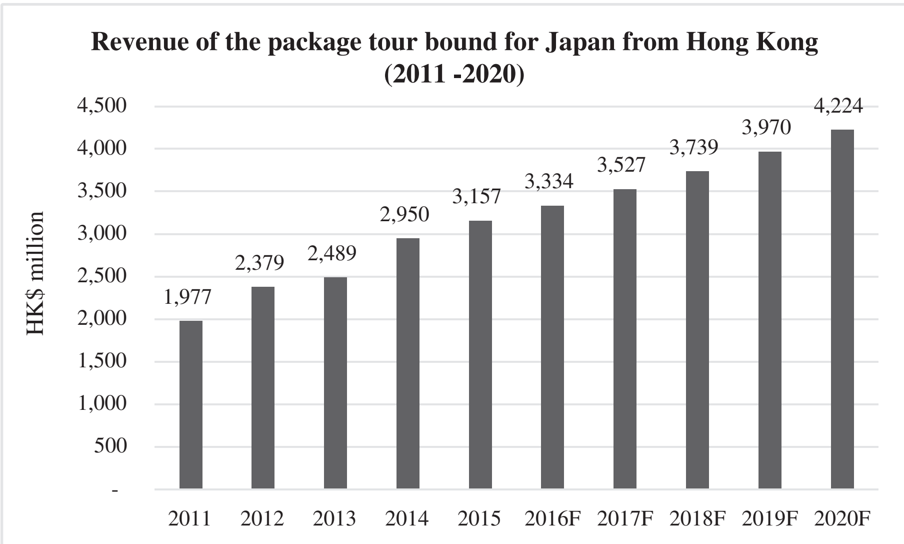
In addition, online travel booking agents and booking platforms of airlines and hotels have been very competitive in pricing and introduced aggressive marketing campaigns and promotion programmes. In recent years, they promoted through different channels including (i) print media which mainly include newspapers, journals and magazines; (ii) broadcast media which mainly include television; (iii) out-of-home media which include subway advertising, transportation body and interior panel display, outdoor video walls and billboards; and (iv) Internet which include social media and search engines. Online travel booking agents and booking platforms of airlines and hotels offer deep discounts from time to time. Online travel booking agents frequently offer booking discounts when customers apply promotion or coupon codes. They may also offer discounts to members. Moreover, online travel booking agents usually cooperate with credit card companies and banks to offer discounts on bookings through those online travel booking agents.

Security concern is essential. The terrorist attacks in Europe and other Western countries were deterring tourists. By the same token, although threats from human attacks and manmade harms are less rampant in Japan, natural disasters can be scaring, with 2011 tourism downturn due to the Great East Japan Earthquake of March 2011 being a good illustration.

PACKAGE TOURS BOUND FOR JAPAN FROM HONG KONG

Market size of the package tours bound for Japan from Hong Kong

The total revenue from package tours bound for Japan from Hong Kong increased from approximately HK$2.0 billion in 2011 to approximately HK$3.2 billion in 2015, representing a CAGR of approximately 12.4%. It is expected that the total revenue from package tours bound for Japan from Hong Kong after 2015 will steadily grow at around 6% annually. Japanese products are well perceived by Hong Kong people because of their good quality and design. One of the main reasons for Hong Kong travellers bound for Japan is shopping, resulting in great demand for package tours bound for Japan.



Source: Japan National Tourism Organisation; Crowe Horwath

Market share of leading players and our Group by the number of travellers of package tours bound for Japan from Hong Kong

Rank	Name	Market share (%)
1	Company C	40.5
2	**Our Group**	12.3
3	Company A	5.4
4	Company B	5.1
5	Company G	2.9

Source: Crowe Horwath

SWOT analysis of Japan bound package tour market in Hong Kong

Package tours bound for Japan now take up the biggest market share of the entire package tour market for all destinations in Hong Kong. The popularity has lasted for more than 10 years. In contrast with FIT market, although the latter signals a great growth potential in recent years, package tour is still the preferred choice of most Hong Kong travellers. In addition, with increasing consideration for leisure, escapism, cleanliness and safety and rising interest in theme travel (e.g. honeymoon, pre-marriage tour, volunteer, medical treatment, etc.), outbound package tours to Japan show substantial growth potential towards 2020.

Strength

Package tours bound for Japan have always enjoyed high-quality local ground services, which in turn have been promoted and supported by government initiatives. Japan National Tourism Organisation is taking initiatives to train tourism professionals and has launched "Goodwill Guide Campaign" tailored for foreign visitors, which provides free interpretation and guide services. New reception centres are established at an increasing speed. These improvements made by local governments can improve travellers' confidence and thus attract more travellers from Hong Kong.

Large variety of package tours cater needs from wide range of population. With sufficient leisure time and accumulated wealth, the retired population in Hong Kong is keen to enjoy life, and is expected to look for slower pace package tours with less demanding in fitness level yet different and unforgettable outbound travel experience. For the stressful working population, there is desire from this group of people seeking way to ease their tension and stress by means of outbound travel. There are plenty of cities in Japan that cater the needs from a wide range of tourists who are looking for different themes of travel.

Weakness

Package tours for Japan lag behind other regions due to language barrier, which is being improved with government funds and business investments. It is common for Hong Kong tourists to find difficulty in communicating with Japanese. In response, Japan is improving language services in tourist centres and tourist spots by training tourism professionals, recruiting more multilingual employees and offering interpretation guides to foreign visitors. Road signs and slogans in important facilities such as shopping malls have been changed to bilingual versions.

Opportunity

Compared with package tours for Europe and other Western countries, Japan enjoys greater geographical proximity. The average price of package tours for Europe is more than twice of that of Japan. While comparing to other short haul markets, although average spending in package tours to Japan exceeds those in other Asian countries, Japan serves as a better place meeting travellers' demand, especially in terms of shopping. Moreover, low-cost carrier flights are emerging in the airline industry. Their lower prices allow future package tour prices to be further discounted. In addition, the quick expansion of tax-free shops and range of tax-free products correspond to the increasing shopping drive among Hong Kong travellers.

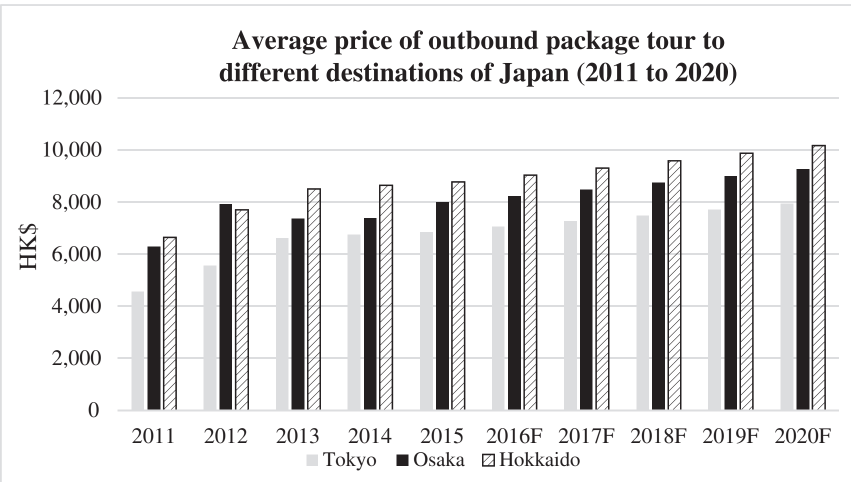
Threat

Price competitiveness may be impaired by volatile macroeconomic environment. Exchange rate and oil price are two major factors affecting the tourism industry. Depreciation in JPY has contributed to the tourism boom and shopping spree in 2014, but by the same token it can also bite the industry. On the other hand, increase in oil price will result in the increase in oil surcharge of air tickets, which will cast a shadow as well. Package tour bound for Japan has also been under the threat of bilateral ties and political tensions among the Southeast Asia region.

PRICE TREND OF THE KEY TRAVEL ELEMENTS

Price of package tours bound for Japan

The price of package tours varies for different destinations in Japan, which depends on the transportation and local price level. According to the CH Report, taking 5-day tours to Tokyo, Osaka and Hokkaido, which are the most popular travel destinations in Japan, as examples, in 2015, the average price for tours to Hokkaido is approximately HK$9,034, which is the highest among the three destinations, followed by the average price for tours to Osaka. The average price of package tours to Tokyo is approximately HK$7,054, which is the lowest among the three destinations. The price of package tours mainly depends on the costs of air tickets, hotels, food and beverages and admissions to attractions.



Source: Various travel agent websites

Price trend of major costs (hotel price and air ticket price) and their impact on the travel service industry in Hong Kong and tours bound for Japan from Hong Kong

The sales per room of a well-known international hotel having operation in different cities of Japan is taken as a proxy for analysing the trend of hotel price in Japan. Since 2013, the hotel price showed an increasing trend due to the increase in the number of travellers to Japan, resulting in the increase in demand for hotel rooms and in turn driving up prices. However, it is foreseeable that the hotel price will follow a slight decreasing trend because of the expected increase in national supply of hotels to cater for Olympic Games to be held in Tokyo in 2020. The trend will slightly bounce back in 2020 because of the increase in travellers attracted by Olympics game. The downward trend benefits to the travel service industry as it lowers the cost of a package tour.

The cost of air tickets follows a similar trend as hotel. Average price per passenger of one of the largest airline companies in Japan, is adopted as a proxy for analysing the trend of air ticket price. Apart from the effect of global economy, the price of air tickets highly depends on the international oil price because oil is one of the major costs for airline companies. Over supply and diminishing demand for oil from emerging countries caused the international air ticket price to remain at a low level. The increase in the number of travellers to Japan offset the effect of dropping in global oil prices, resulting in an increase in the air ticket price for Japan bound flights. Despite the difficulties of forecasting global oil price, it is widely believed that oil price will rebound from the valley. Rising oil price may potentially impose great resistance to profitability of airline and travel service industry. It is expected that the oil price will not increase significantly in coming years, resulting in flattening air ticket price. Travel service industry benefits from the slight drop in air ticket price, which lowers the cost of package tours.

Source: Crowe Horwath