
FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited combined financial information, including the notes thereto, as set out in the Accountant's Report set out in Appendix I to this prospectus (the "Combined Financial Information"). Our Group's Combined Financial Information has been prepared in accordance with the HKFRSs. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to "Risk Factors".

Discrepancies between totals and sums of amounts listed herein in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We are one of the long-established and well-known travel agents in Hong Kong. Our major business is the provision of outbound package tours with particular focus in Japan bound tours. Apart from Japan, we offered package tours to other destinations including South Korea, China, Taiwan, Thailand, Malaysia and Singapore, Vietnam, Cambodia, Dubai and Australia during the Track Record Period. In addition to outbound package tours, we also sell FIT products and ancillary travel related products and services.

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our Group recorded revenue of approximately HK\$461.5 million, HK\$452.6 million, HK\$118.3 million and HK\$82.4 million respectively, and net profit of approximately HK\$16.3 million, HK\$23.3 million, HK\$11.0 million and net loss of approximately HK\$7.9 million respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganisation, our Company became the holding company of the subsidiaries now comprising our Group on 5 July 2016. The relevant steps of the Reorganisation are detailed in "History, Reorganisation and Development". As the Reorganisation has not resulted in any change of ultimate control of our group companies, the Combined Financial Information of our Group has been prepared using the principles of merger accounting.

Our Combined Financial Information has been prepared in accordance with the HKFRSs and applicable disclosures requirements of the GEM Listing Rules and the Companies Ordinance. Our Combined Financial Information is presented in Hong Kong dollars, which is our functional and presentation currency.

Details regarding the basis of presentation and preparation of our Combined Financial Information are set out in notes 1 and 2 to the Accountant's Report.

FINANCIAL INFORMATION

KEY FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS

Our Group's results of operations are subject to the influence of numerous factors, the principal of which are set out below:

Conditions in the major destinations of our travel products and services

Our business could be adversely affected by the occurrence of various catastrophic events at the major destinations of our travel products and services, such as natural disasters, terrorist attacks, travel related accidents and contagious diseases which cannot be predicted or controlled by our Group. Occurrence of such catastrophic events could result in adverse conditions in the affected regions and bring significant adverse effect to overall customers' sentiment of travelling to those particularly affected regions, which could in turn materially and adversely affect our revenue which is primarily derived from the sales of package tours. Accordingly, the occurrence of catastrophic events at the major destinations of our travel products and services could bring material and adverse effect on our profitability and our results of operation.

Changes in economic conditions in Hong Kong

We derive a majority of our revenue from outbound travellers in Hong Kong and any downturn in the economy of Hong Kong could have a material adverse effect to our business and operating results. Future change in economic conditions in Hong Kong may adversely affect the level of disposable income available and the portion of disposable income spent on travel products for people in Hong Kong, which would in turn affect the demand for travel products and services offered by our Group and then affect our business operations and financial conditions.

Market competition and changing market conditions

We operate in the travel service industry in Hong Kong. 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. As our major business is the provision of package tour service, we mainly compete with other licensed travel agents in Hong Kong which offer package tour service to their customers. We also face competition from airlines and other travel agents in and outside of Hong Kong, which offer similar products and services directly to customers or over the Internet. If we are unable to offer quality travel services to meet our customers' demands and changing needs in a timely manner in response to changing market conditions or consumer preferences and taste, we may not be able to maintain our competitiveness in the industry and our market share, which could in turn materially and adversely affect our business, financial conditions and results.

Changes in our major operating costs

We generally determine the selling price of our travel products on a cost-plus basis. Our major operating costs include airfare costs, hotel tariffs and land operator costs, which together accounted for approximately 84.7%, 84.8%, 83.3% and 81.9% of our cost of sales for the years

FINANCIAL INFORMATION

ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively, of which airfare costs alone accounted for approximately 53.1% of our cost of sales for each of the years ended 31 March 2015 and 2016 and approximately 48.1% and 40.0% of our cost of sales for the three months ended 30 June 2015 and 2016 respectively. In addition to the cost of travel elements, we would also take into account other factors, such as our historical pricing, market demand, prices of similar products offered by our competitors, tour enrolment situation and the exchange rate of Japanese Yen, when we determine the price of our package tour products.

If our major operating costs increase and we are unable to pass on such increment to our customers through adjustment of the selling prices of our package tours in a timely manner, our business, financial condition and results of operation could be materially and adversely affected. Please refer to “— Sensitivity and breakeven analyses” for the sensitivity analysis of the impact of hypothetical changes in our major operating costs on our profit or loss for each financial year/period during the Track Record Period.

Fluctuation of foreign exchange rate

During the Track Record Period, we derived a majority of our revenue from the sales of travel products bound for Japan. Our receipts from customers are denominated in Hong Kong dollars while the settlement of substantial portion of our land costs, such as hotel tariffs, transportation costs, meal expenses and admission ticket costs, are denominated in Japanese Yen. The difference in the exchange rates at which the payables are recorded and finally settled may give rise to transactional foreign currency exchange gain or loss. Moreover, certain of our financial assets and liabilities, such as cash and cash equivalents, deposits and other receivables, trade payables and amounts due to related companies, are denominated in Japanese Yen and are therefore subject to translation difference at year-end exchange rates. Accordingly, we are exposed to foreign currency risk mainly aroused from transactions, assets and liabilities denominated in Japanese Yen. If there is significant fluctuation in the exchange rate of Japanese Yen against Hong Kong dollars, being the functional and presentation currency in our Combined Financial Information, we could experience material fluctuation in our land costs and incur material exchange differences in our combined statements of comprehensive income, which could in turn materially and adversely affect our financial conditions and results of operation. Any appreciation of Japanese Yen impacts both the demand (i.e. demand from cost-conscious customers will decrease) and cost (i.e. land costs denominated in Japanese Yen will increase) side of our Group’s business, which will lead to the shrinking of our gross profit margin.

For details regarding the historical exchange rate of Japanese Yen against Hong Kong dollars, please refer to “Industry Overview — Trend of Hong Kong dollars versus JPY”.

For details regarding our Group’s policy on foreign exchange risk control, please refer to “Business — Internal control and risk management — Foreign exchange risk control”.

In general, without taking into account of seasonality effects, when the exchange rate of Japanese Yen against Hong Kong dollars increases, sales volume and the average selling prices of package tours bound for Japan of our Group would decrease. The table below sets forth the correlation of the change of average exchange rate of Japanese Yen against Hong Kong dollars and the average selling price and average sales volume of package tours bound for Japan of our Group

FINANCIAL INFORMATION

from the year ended 31 March 2015 to 2016 and from the year ended 31 March 2016 to the three months ended 30 June 2016.

	Year ended 31 March 2015 ("FY15")	Year ended 31 March 2016 ("FY16")	Three months ended 30 June 2016 ("3M17")	Change from FY15 to FY16	Change from FY16 to 3M17
Exchange rate of Japanese Yen against Hong Kong dollars (HK\$:JPY)	0.07087	0.06465	0.07189	(8.8)%	11.2%
Average selling price of package tour bound for Japan of our Group (HK\$)	9,790	10,094	8,871	3.1%	(12.1)%
Sales volume of package tour bound for Japan of our Group (headcount)	2,804	2,908	2,458	3.7%	(15.5)%

Please also refer to "Financial Information — Sensitivity and breakeven analyses" for the sensitivity and breakeven analyses of the impact of hypothetical changes in the exchange rate of Japanese Yen against Hong Kong dollars on our profit or loss for each financial year/period during the Track Record Period.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies and estimates refer to those accounting policies and estimates that entail significant uncertainty and judgement, and could yield materially different results under different conditions and/or assumptions. The preparation of our Combined Financial Information in conformity with the HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The methods and approach that we use in determining these items is based on our experience, the nature of our business operations, the relevant rules and regulations and the relevant circumstances. These underlying assumptions and estimates are reviewed regularly as they may have a significant impact on our operational results as reported in our Combined Financial Information included elsewhere in this prospectus. Below is a summary of the significant accounting policies in accordance with the HKFRSs that we believe are important to the presentation of our Combined Financial Information and involve the need to make estimates and judgements about the effect of matters that are inherently uncertain. We also have other policies, judgements, estimates and assumptions that we consider as significant, which are set out in detail in notes 2 and 4 to the Accountant's Report.

Revenue recognition

During the Track Record Period, we derived our revenue mainly from (i) the sales of package tours; (ii) the sales of FIT products; and (iii) the sales and provision of ancillary travel related products and services.

We generally recognise our revenue from the sales of package tours when the services are rendered by our Group per day spent by our customers at the destination. For revenue from sales of FIT products, we recognise the relevant revenue when the services are rendered by our Group as an agent on a net basis when the booking is confirmed. For revenue from sales and provision of

FINANCIAL INFORMATION

ancillary travel related products and services, we recognise the relevant revenue on a net basis when the products are sold to customers.

For further details regarding our accounting policy relating to revenue recognition, please see note 2.19 “Revenue recognition” to the Accountant’s Report.

Financial assets

During the Track Record Period, financial assets of our Group mainly represented (i) trade receivables, deposits and other receivables, amount due from a related company and cash and cash equivalents, which were classified as loans and receivables; and (ii) derivative financial assets which were classified as financial assets at fair value through profit or loss.

Please refer to note 2.7 “Financial assets” and note 2.9 “Impairment of financial assets” to the Accountant’s Report for our accounting policies relating to, among others, classification, recognition, measurement, derecognition and impairment of financial assets.

Foreign currency translation

Our Combined Financial Information is presented in Hong Kong dollars, which is our functional and presentation currency. During the Track Record Period, certain of our transactions, assets and liabilities were denominated in foreign currencies, mainly Japanese Yen. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss of our combined financial statements.

For further details regarding our accounting policy relating to foreign currency translation, please see note 2.4 “Foreign currency translation” to the Accountant’s Report.

Income tax

Income tax expense comprises current income tax and deferred income tax. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015, we recognised income tax expense of approximately HK\$3.3 million, HK\$5.1 million and HK\$2.2 million respectively. For the three months ended 30 June 2016, we recognised income tax credit of approximately HK\$423,000. As at 31 March 2015, 31 March 2016 and 30 June 2016, our Group had (i) deferred income tax assets of approximately HK\$244,000, HK\$102,000 and HK\$525,000 respectively; and (ii) deferred income tax liabilities of nil, approximately HK\$49,000 and HK\$49,000 respectively.

Please refer to note 2.16 “Current and deferred income tax” to the Accountant’s Report for our accounting policies relating to income taxes, including current income tax and deferred income tax.

FINANCIAL INFORMATION

SUMMARY RESULTS OF OPERATIONS

Set forth below is our combined statements of comprehensive income for the Track Record Period as derived from the Accountant's Report set out in Appendix I to this prospectus.

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> <i>(Unaudited)</i>	2016 <i>HK\$'000</i>
Revenue	461,546	452,632	118,285	82,387
Cost of sales	<u>(387,934)</u>	<u>(369,397)</u>	<u>(93,235)</u>	<u>(71,560)</u>
Gross profit	73,612	83,235	25,050	10,827
Other income	162	1,197	477	26
Other (losses)/gains, net	(3,579)	1,229	224	660
Selling expenses	(14,788)	(18,417)	(4,270)	(4,675)
Administrative expenses	<u>(35,710)</u>	<u>(38,813)</u>	<u>(8,295)</u>	<u>(15,126)</u>
Operating profit/(loss)	19,697	28,431	13,186	(8,288)
Finance costs, net	<u>(8)</u>	<u>(26)</u>	<u>(4)</u>	<u>(6)</u>
Profit/(loss) before income tax	19,689	28,405	13,182	(8,294)
Income tax (expense)/credit	<u>(3,345)</u>	<u>(5,077)</u>	<u>(2,225)</u>	<u>423</u>
Profit/(loss) and total comprehensive income/(loss) for the year/period	<u>16,344</u>	<u>23,328</u>	<u>10,957</u>	<u>(7,871)</u>
Profit/(loss) and total comprehensive income/(loss) attributable to:				
— Owners of our Company	16,226	23,109	10,840	(7,771)
— Non-controlling interests	<u>118</u>	<u>219</u>	<u>117</u>	<u>(100)</u>
	<u>16,344</u>	<u>23,328</u>	<u>10,957</u>	<u>(7,871)</u>

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF COMPREHENSIVE INCOME

The following is the management discussion and analysis on the principal items in our combined statements of comprehensive income for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016.

FINANCIAL INFORMATION

Revenue

Our business includes (i) the sales of package tours; (ii) the sales of FIT products; and (iii) the sales and provision of ancillary travel related products and services. Our total revenue for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 amounted to approximately HK\$461.5 million, HK\$452.6 million, HK\$118.3 million and HK\$82.4 million respectively. The following table sets out our revenue by major category of services/products for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i> <i>(Unaudited)</i>	%	<i>HK\$'000</i>	%
Package tours	451,117	97.7	443,941	98.1	116,481	98.5	80,299	97.5
FIT products	4,383	1.0	4,009	0.9	958	0.8	752	0.9
Ancillary travel related products and services	6,046	1.3	4,682	1.0	846	0.7	1,336	1.6
Total	<u>461,546</u>	<u>100.0</u>	<u>452,632</u>	<u>100.0</u>	<u>118,285</u>	<u>100.0</u>	<u>82,387</u>	<u>100.0</u>

Package tours

Our revenue from sales of package tours mainly represents the fees received from customers for our package tours. During the Track Record Period, we generated the majority of our revenue from the sales of package tours which amounted to approximately HK\$451.1 million, HK\$443.9 million, HK\$116.5 million and HK\$80.3 million for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively, and accounted for approximately 97.7%, 98.1%, 98.5% and 97.5% of our total revenue for the corresponding year/period.

During the Track Record Period, we provided package tours bound for Japan, South Korea, China, Taiwan, Thailand, Malaysia and Singapore, Vietnam, Cambodia, Dubai and Australia. Since our major business is the provision of package tours with particular focus in Japan bound tours, our revenue from the sales of Japan bound package tours accounted for approximately 78.1%, 84.4%, 84.9% and 86.5% of our revenue from sales of package tours for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively.

FINANCIAL INFORMATION

The following table sets forth a breakdown of our revenue from sales of package tours by destination for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Japan	352,488	78.1	374,674	84.4	98,948	84.9	69,473	86.5
Other destinations:								
South Korea	68,214	15.1	34,424	7.8	8,067	6.9	5,503	6.9
Taiwan	12,247	2.7	12,891	2.9	2,955	2.5	1,036	1.3
China	8,907	2.0	11,752	2.6	4,269	3.7	2,802	3.5
Southeast Asian countries ^(Note 1)	9,152	2.1	6,063	1.4	2,242	2.0	790	1.0
Other countries ^(Note 2)	109	0.0	4,137	0.9	—	—	695	0.8
Total	<u>451,117</u>	<u>100.0</u>	<u>443,941</u>	<u>100.0</u>	<u>116,481</u>	<u>100.0</u>	<u>80,299</u>	<u>100.0</u>

Notes:

(1) Southeast Asian countries during the Track Record Period included Thailand, Malaysia and Singapore, Vietnam and Cambodia.

(2) Other countries during the Track Record Period included Dubai and Australia.

Our revenue from sales of package tours slightly decreased by approximately 1.6% from approximately HK\$451.1 million for the year ended 31 March 2015 to approximately HK\$443.9 million for the year ended 31 March 2016. The decrease was mainly due to the decline of revenue from sales of package tours bound for other destinations by approximately HK\$29.4 million for the year ended 31 March 2016 as compared to the year ended 31 March 2015, the effect of which was partially offset by the increase in revenue from sales of package tours bound for Japan by approximately HK\$22.2 million for the year ended 31 March 2016 as compared to the year ended 31 March 2015.

The decrease in revenue from sales of package tours bound for other destinations was mainly due to the outbreak of the Middle East respiratory syndrome (“MERS”) in South Korea in May 2015, which resulted in the significant decrease in revenue from the sales of package tours bound for South Korea by approximately HK\$33.8 million from approximately HK\$68.2 million for the year ended 31 March 2015 to approximately HK\$34.4 million for the year ended 31 March 2016.

On the other hand, our Group recorded a growth in revenue from the sales of package tours bound for Japan from approximately HK\$352.5 million for the year ended 31 March 2015 to approximately HK\$374.7 million for the year ended 31 March 2016, which partially offset the decrease in revenue from sales of package tours bound for other destinations. The exchange rate of Japanese Yen against Hong Kong dollars had remained relatively weak at below HK\$0.07:JPY1 since November 2014 and during the year ended 31 March 2016. There had also been various measures implemented by the Ministry of Finance of Japan regarding consumption tax in Japan, for instance, (i) since 1 October 2014, the number of items eligible for tax exemption by tourists in

FINANCIAL INFORMATION

Japan have been increased to include consumables including medicine, food and cosmetics from designated shops; (ii) the consumption tax hike to 10% has been postponed from 1 October 2015 to 2019; and (iii) tax exemption procedure can be conducted at a one-stop counter on behalf of groups of shops in shopping streets and malls since April 2015. Our Directors believe that the above factors, coupled with the outbreak of MERS in South Korea in May 2015 had contributed to the higher demand for travelling to Japan during the year ended 31 March 2016, which in turn led to the growth in our revenue from the sales of package tours bound for Japan for the year ended 31 March 2016 as compared to the year ended 31 March 2015.

Notwithstanding the foregoing, our Directors consider that the growth of our revenue from sales of package tours bound for Japan for the year ended 31 March 2016 was restrained by the aggressive marketing campaigns and promotion programmes of online agencies and booking platforms of airlines and hotels during the financial year.

Our revenue from sales of package tours decreased from approximately HK\$116.5 million for the three months ended 30 June 2015 to approximately HK\$80.3 million for the three months ended 30 June 2016, representing a decrease of approximately 31.1%. The decrease was mainly due to (i) the decline of revenue from sales of package tours bound for Japan by approximately HK\$29.4 million; and (ii) the decrease in revenue from sales of package tours bound for other destinations by approximately HK\$6.7 million.

In April 2016, a strong earthquake measuring a maximum of 7 on the Japan Meteorological Agency seismic intensity scale occurred in Kumamoto Prefecture in Kyushu, Japan, being one of the most popular tour destinations of our Group in Japan in terms of number of customers during the Track Record Period. Such earthquake, named the 2016 Kumamoto Earthquake, was the first intensity-7 earthquake since the Great East Japan Earthquake of March 2011 and was the strongest earthquake ever recorded in Kyushu since the establishment of Japan Meteorological Agency. The earthquake has caused adverse conditions in Kumamoto Prefecture and its surrounding areas, including extensive damages and suspension of public transportation system. Our Directors believe that the earthquake has resulted in adverse impact on customers' sentiment and their demand for travelling to the affected regions in Kyushu.

The decline of revenue from sales of package tours bound for Japan for the three months ended 30 June 2016 was mainly due to (i) the negative impact of the 2016 Kumamoto Earthquake occurred in April 2016; (ii) the fact that the continued appreciation of Japanese Yen against Hong Kong dollars coupled with the intense competition within the industry, particularly from online agencies and booking platforms of airlines and hotels which are introducing aggressive marketing campaigns and promotion programmes, have reduced the demand of customers who are cost conscious for our package tours bound for Japan; and (iii) that in view of the decreased in demand and the fierce industry competition, we adjusted downward the selling prices of our package tours bound for Japan in order to attract customers, which has also exerted pressure on our revenue from sales of package tours.

Our Group's revenue from sales of package tours bound for non-Japan destinations decreased by approximately 38.3% from approximately HK\$17.5 million for the three months ended 30 June 2015 to approximately HK\$10.8 million for the three months ended 30 June 2016. The decrease was mainly attributable to the significant decrease in revenue from the sales of package tours

FINANCIAL INFORMATION

bound for South Korea, China and Taiwan by approximately HK\$6.0 million from approximately HK\$15.3 million for the three months ended 30 June 2015 to approximately HK\$9.3 million for the three months ended 30 June 2016. Our Directors believe that the decrease in revenue was mainly due to (i) the earlier timing of the Easter holidays in late March in 2016 as compared to the Easter holidays in April in 2015; and (ii) the downward price adjustment of our package tours bound for destinations other than Japan in view of the intense competition within the industry.

FIT products

Our FIT products generally include air tickets, hotel accommodation and a combination of both. Our revenue from the sales of FIT products is recognised on net basis as we render the services as an agent, whereby we are only responsible for arranging the booking of air tickets and accommodations. Accordingly, our revenue from the sales of FIT products represents the net income, being the sales invoice amount of the FIT products netted with the associated direct costs, such as the costs of the air tickets and/or hotel accommodation.

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our revenue from the sales of FIT products amounted to approximately HK\$4.4 million, HK\$4.0 million, HK\$1.0 million and HK\$0.8 million respectively, representing approximately 1.0%, 0.9%, 0.8% and 0.9% of our total revenue for the corresponding year/period. During the Track Record Period, most of our FIT products were bound for Japan which accounted for approximately 82.0%, 86.2%, 81.3% and 80.6% of our revenue from FIT products for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively.

The following table sets forth a breakdown of our revenue from sales of FIT products by destination for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	<i>(Unaudited)</i>							
Japan	3,596	82.0	3,456	86.2	779	81.3	606	80.6
Other destinations ^(Note)	787	18.0	553	13.8	179	18.7	146	19.4
Total	<u>4,383</u>	<u>100.0</u>	<u>4,009</u>	<u>100.0</u>	<u>958</u>	<u>100.0</u>	<u>752</u>	<u>100.0</u>

Note: Other destinations during the Track Record Period mainly included South Korea, China, Taiwan, Singapore, Thailand, Malaysia and India, etc.

Our revenue from sales of FIT products bound for Japan remained stable at approximately HK\$3.6 million and HK\$3.5 million for the years ended 31 March 2015 and 2016 respectively, whereas our revenue from sales of FIT products bound for other destinations decreased from approximately HK\$0.8 million for the year ended 31 March 2015 to approximately HK\$0.6 million for the year ended 31 March 2016 mainly due to the outbreak of the MERS in South Korea in May 2015, which resulted in the decrease in revenue from the sales of FIT products bound for South Korea from approximately HK\$0.4 million for the year ended 31 March 2015 to approximately HK\$0.1 million for the year ended 31 March 2016.

FINANCIAL INFORMATION

Our revenue from sales of FIT products bound for Japan decreased from approximately HK\$0.8 million for the three months ended 30 June 2015 to approximately HK\$0.6 million for the three months ended 30 June 2016, representing a decrease of approximately 25.0%, which was mainly due to (i) the continuous appreciation of Japanese Yen against Hong Kong dollars; and (ii) the aggressive marketing campaigns and promotion programmes launched by the online agencies and booking platforms of airlines and hotels which reduced the demand of our customers for our FIT products bound for Japan.

Ancillary travel related products and services

We also offer ancillary travel related products and services to our customers, which mainly include travel insurance, admission tickets to attractions, local transportation, car rentals, prepaid telephone and internet cards and travel visa application. Similar to revenue from the sales of FIT products, our revenue from the sales and provision of ancillary travel related products and service is recognised on net basis. Accordingly, our revenue from the sales and provision of ancillary travel related products and services mainly represents (i) the commission from insurance company for the sales of travel insurance to our customers; and (ii) the net income from sales of other ancillary travel related products, being the relevant sales invoice amount netted with the associated direct costs.

For the years ended 31 March 2015 and 2016, our revenue from the sales and provision of ancillary travel related products and services amounted to approximately HK\$6.0 million and HK\$4.7 million respectively, representing approximately 1.3% and 1.0% of our total revenue for the corresponding years. The decrease in our revenue from the sales and provision of ancillary travel related products and services was mainly attributable to the decrease in margin income for the sales of travel insurance from approximately HK\$5.6 million for the year ended 31 March 2015 to approximately HK\$4.3 million for the year ended 31 March 2016 primarily as a result of the outbreak of the MERS in South Korea in May 2015.

Our revenue from the sales and provision of ancillary travel related products and services increased from approximately HK\$0.8 million for the three months ended 30 June 2015 to approximately HK\$1.3 million for the three months ended 30 June 2016, representing an increase of approximately 62.5%. The increase was mainly attributable to increase in the income for the sales of travel insurance from approximately HK\$0.8 million for the three months ended 30 June 2015 to approximately HK\$1.1 million for the three months ended 30 June 2016 primarily due to (i) the increment in selling prices of the travel insurance; and (ii) the increase in sales volume of the travel insurance due to enhancement in the coverage of the insurance policy.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales mainly represents the direct costs incurred for our sales of package tours, which primarily consists of airfare costs, hotel tariffs, land operator costs, local transportation costs, meal expenses and admission ticket costs. The following table sets out the breakdown of our Group's cost of sales for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Airfare costs	205,916	53.1	196,101	53.1	44,877	48.1	28,619	40.0
Hotel tariffs	78,801	20.3	84,412	22.9	23,680	25.4	22,513	31.5
Land operator costs	43,779	11.3	32,793	8.9	9,081	9.8	7,476	10.4
Transportation costs	33,246	8.6	31,000	8.4	8,715	9.3	7,358	10.3
Meal expenses	14,085	3.6	13,824	3.7	3,823	4.1	2,950	4.1
Admission ticket costs	11,306	2.9	10,485	2.8	2,872	3.1	2,502	3.5
Others	801	0.2	782	0.2	187	0.2	142	0.2
Total	<u>387,934</u>	<u>100.0</u>	<u>369,397</u>	<u>100.0</u>	<u>93,235</u>	<u>100.0</u>	<u>71,560</u>	<u>100.0</u>

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our cost of sales was approximately HK\$387.9 million, HK\$369.4 million, HK\$93.2 million and HK\$71.6 million respectively, representing approximately 84.1%, 81.6%, 78.8% and 86.9% of our revenue for the corresponding year/period. The decrease in our cost of sales were generally in line with the decrease in our revenue during the Track Record Period.

Below is the description and analysis of the major components in our cost of sales for the Track Record Period.

Airfare costs

Airfare costs represent the costs paid or payable to airlines and ticketing agents for securing air tickets for our package tours. During the Track Record Period, airfare costs were the largest component of our cost of sales, which amounted to approximately HK\$205.9 million, HK\$196.1 million, HK\$44.9 million and HK\$28.6 million for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively, and represented approximately 45.6%, 44.2%, 38.5% and 35.6% of our revenue from the sales of package tours for the corresponding year/period respectively.

The decrease in our airfare costs from the year ended 31 March 2015 to the year ended 31 March 2016 was mainly attributable to (i) the comparatively more use of low-cost carrier for our package tours bound for Japan during the year ended 31 March 2016 as compared to the year ended 31 March 2015; and (ii) the overall decrease in our sales of package tours bound for destinations other than Japan for the year ended 31 March 2016 as compared to the year ended 31 March 2015.

The decrease in our airfare costs from the three months ended 30 June 2015 to the three months ended 30 June 2016 was mainly attributable to (i) the comparatively lower airfare

FINANCIAL INFORMATION

charged by the airlines due to their promotion programmes during the three months ended 30 June 2016 as compared to the three months ended 30 June 2015; (ii) the comparatively wider use of low-cost carrier for our package tours bound for Japan during the three months ended 30 June 2016 as compared to the corresponding period in 2015; and (iii) the overall decrease in the sales of package tours for the three months ended 30 June 2016 compared to the corresponding period in 2015.

Hotel tariffs

Hotel tariffs represent the costs of hotel accommodation for our package tours bound for Japan (except Okinawa). During the Track Record Period, hotel tariffs were the second largest component of our cost of sales, which amounted to approximately HK\$78.8 million, HK\$84.4 million, HK\$23.7 million and HK\$22.5 million for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively. Hotel tariffs represented approximately 22.4%, 22.5%, 23.9% and 32.4% of our revenue from the sales of package tours bound for Japan for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016 respectively. The increase in our hotel tariffs from the year ended 31 March 2015 to the year ended 31 March 2016 was largely attributable to (i) the increase in sales of our package tours bound for Japan for the year ended 31 March 2016 as compared to the year ended 31 March 2015; and (ii) the generally higher hotel room rate in Japan during the year ended 31 March 2016 as compared to the previous financial year due to increase in demand for travelling to Japan. Such effect was partially mitigated by the generally weaker exchange rate of Japanese Yen against Hong Kong dollars during the year ended 31 March 2016 as compared to the previous financial year.

The increase in our hotel tariffs as a percentage to our revenue from sales of package tours bound for Japan from the three months ended 30 June 2015 to the three months ended 30 June 2016 was mainly attributable to (i) the stronger exchange rate of Japanese Yen against Hong Kong dollars during the three months ended 30 June 2016 as compared to the corresponding period in 2015; and (ii) the continued increase in hotel room rates in Japan.

Land operator costs

For our package tours bound for Okinawa and other non-Japan destinations, we engage land operators to arrange for local travel elements based on our specifications and requirements, including hotel accommodation, meals, local transportation and activities. Our land operator costs mainly represent the costs paid or payable to land operators for such tour arrangements. Our land operator costs also included the cost of reservation services provided by a related company to our Group, which included reservation of hotels, restaurants and theme parks and vacation spot, for our package tours bound for Japan.

Our land operator costs decreased from approximately HK\$43.8 million for the year ended 31 March 2015 to approximately HK\$32.8 million for the year ended 31 March 2016. Such decrease was generally in line with decrease in sales of our package tours for destinations other than Japan for the year ended 31 March 2016 as compared to the year ended 31 March 2015.

Our land operator costs decreased from approximately HK\$9.1 million for the three months ended 30 June 2015 to approximately HK\$7.5 million for the three months ended 30 June 2016

FINANCIAL INFORMATION

mainly due to the decrease in the sales of package tours bound for non-Japan destinations. However, the land operator costs for the three months ended 30 June 2016 as a percentage of the revenue from sales of non-Japan package tours for the period was higher than that for the corresponding period in 2015, which was mainly due to relatively higher price charged by land operators in the three months ended 30 June 2016 as compared to the three months ended 30 June 2015.

Transportation costs, meal expenses and admission ticket costs

The other major components in our cost of sales included transportation costs, meal expenses and admission ticket costs, which mainly represent (i) the costs of local transportation and arranging of car rental services; (ii) the expenses paid or payable to local restaurants in arranging meals; and (iii) the expenses for theme park and amusement park tickets respectively, for our package tours bound for Japan (except Okinawa).

Notwithstanding the increase in our sales of package tours bound for Japan for the year ended 31 March 2016 as compared to the year ended 31 March 2015, our transportation costs, meal expenses and admission ticket costs were maintained at relatively stable proportions to our total cost of sales at approximately (i) 8.6% and 8.4%; (ii) 3.6% and 3.7%; and (iii) 2.9% and 2.8% for the years ended 31 March 2015 and 2016 respectively, mainly due to the generally weaker exchange rate of Japanese Yen against Hong Kong dollars during the year ended 31 March 2016 as compared to the previous financial year.

Our transportation costs, meal expenses and admission ticket costs were maintained at relatively stable proportions to our total cost of sales at approximately (i) 9.3% and 10.3%; (ii) 4.1% and 4.1%; and (iii) 3.1% and 3.5% for the three months ended 30 June 2015 and 2016 respectively notwithstanding the decrease in the sales of package tours bound for Japan for the three months ended 30 June 2016 as compared to the corresponding period in 2015, mainly due to the stronger exchange rate of Japanese Yen against Hong Kong dollars during the three months ended 30 June 2016 as compared to the corresponding period in 2015.

Cost structure by currency

During the Track Record Period, our cost of sales was mainly denominated in Hong Kong dollars and Japanese Yen. The following table sets forth the breakdown of our cost of sales by currency for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Hong Kong dollars	247,146	63.7	225,202	61.0	53,228	57.1	32,692	45.7
Japanese Yen	140,788	36.3	144,195	39.0	40,007	42.9	38,868	54.3
Total	<u>387,934</u>	<u>100.0</u>	<u>369,397</u>	<u>100.0</u>	<u>93,235</u>	<u>100.0</u>	<u>71,560</u>	<u>100.0</u>

Our cost of sales which required settlement in Japanese Yen mainly represented hotel tariffs, transportation costs, meal expenses and admission ticket costs, whereas our airfare costs and land operator costs were mainly settled in Hong Kong dollars.

FINANCIAL INFORMATION

For details regarding our Group's policy on foreign exchange risk control, please refer to "Business — Internal control and risk management — Foreign exchange risk control".

Gross profit and gross profit margin

The following table sets out the breakdown of our gross profit and gross profit margin by major category of services/products for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(Unaudited)</i>							
Package tours ^(Note)	63,183	14.0	74,544	16.8	23,246	20.0	8,739	10.9
FIT products	4,383	N/A	4,009	N/A	958	N/A	752	N/A
Ancillary travel related products and services	6,046	N/A	4,682	N/A	846	N/A	1,336	N/A
Total	<u>73,612</u>	15.9	<u>83,235</u>	18.4	<u>25,050</u>	21.2	<u>10,827</u>	13.1

Note: For the years ended 31 March 2015 and 2016, the gross profit margin (excluding unallocated costs of approximately HK\$801,000 and HK\$782,000 respectively) of (i) package tours bound for Japan was approximately 15.4% and 18.0% respectively; and (ii) package tours bound for other destinations was approximately 9.8% and 11.5% respectively. For the three months ended 30 June 2015 and 2016, the gross profit margin (excluding unallocated costs of approximately HK\$187,000 and HK\$142,000 respectively) of (i) package tours bound for Japan was approximately 20.7% and 11.0% respectively; and (ii) package tours bound for other destinations was approximately 16.6% and 11.2% respectively.

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, we recorded gross profit of approximately HK\$73.6 million, HK\$83.2 million, HK\$25.1 million and HK\$10.8 million respectively, representing an overall gross profit margin of approximately 15.9%, 18.4%, 21.2% and 13.1% for the corresponding year/period. The growth of our overall gross profit and gross profit margin from the year ended 31 March 2015 to the year ended 31 March 2016 were mainly driven by the increased gross profit and gross profit margin of sales of our package tours.

The decline of the overall gross profit and gross profit margin from the three months ended 30 June 2015 to the three months ended 30 June 2016 were mainly driven by the decrease in gross profit and gross profit margin of the sales of package tours due to the reasons as discussed in paragraphs headed "Revenue" and "Cost of sales" in "— Description and analysis of principal items in the combined statements of comprehensive income".

Our gross profit from the sales of package tours grew from approximately HK\$63.2 million for the year ended 31 March 2015 to approximately HK\$74.5 million for the year ended 31 March 2016, resulting in an increase in its gross profit margin from approximately 14.0% to 16.8% for the corresponding years. Such increase was primarily driven by (i) the decrease in airfare costs mainly due to the comparatively more use of low-cost carrier for our package tours bound for

FINANCIAL INFORMATION

Japan during the year ended 31 March 2016; and (ii) the relatively stable transportation costs, meal expenses and admission ticket costs incurred for our package tours bound for Japan (except Okinawa) mainly due to the generally weaker exchange rate of Japanese Yen against Hong Kong dollars during the year ended 31 March 2016 as compared to the previous financial year.

Our gross profit from the sales of package tours decreased from approximately HK\$23.2 million for the three months ended 30 June 2015 to approximately HK\$8.7 million for the three months ended 30 June 2016, resulting in a decrease in gross profit margin from approximately 20.0% to 10.9% for the corresponding periods. Such decrease was primarily due to (i) the stronger exchange rate of Japanese Yen against Hong Kong dollars during the three months ended 30 June 2016 as compared to the corresponding period, resulting in the increase in hotel tariffs, transportation costs, meal expenses and admission ticket costs for Japan bound package tours; and (ii) the downward adjustments on the selling prices of package tours bound for Japan and non-Japan destinations in view of the fierce industry competition.

Other income and other gains/(losses), net

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our Group recorded (i) other income of approximately HK\$0.2 million, HK\$1.2 million, HK\$0.5 million and HK\$26,000 respectively, which mainly consisted of referral income and subsidy income; and (ii) other net gains/(losses) of approximately HK\$(3.6) million, HK\$1.2 million, HK\$0.2 million and HK\$0.7 million respectively, which mainly consisted of net exchange gains/(losses), net fair value gains/(losses) on derivative financial instruments and gain/(loss) on disposal of property, plant and equipment.

The following table sets forth the breakdowns of our other income and other net gains/(losses) for the Track Record Period:

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i>
Other income				
Referral income	162	539	477	26
Subsidy income	—	658	—	—
Total	162	1,197	477	26
Other gains/(losses), net				
Exchange (losses)/gain, net	(1,607)	1,083	170	642
(Loss)/Gain on disposal of property, plant and equipment	(58)	126	130	—
Fair value (losses)/gain on derivative financial instruments	(1,914)	20	(76)	18
Total	(3,579)	1,229	224	660

Referral income mainly refers to incentive rebate and commission from online flight and hotel booking platforms and theme parks and attractions when our Group's purchases from them meet a predetermined target. Our Group received approximately HK\$0.2 million and HK\$0.5

FINANCIAL INFORMATION

million for the years ended 31 March 2015 and 2016 respectively. The increase in rebate and commission income for the year ended 31 March 2016 was mainly attributable to a bonus rebate from an online flight booking platform (our GDS service provider) as an incentive for our Group to increase utilisation of their online booking system. We are not subject to any minimum purchase commitment under the respective agreement with our online flight and hotel booking platforms service providers or operators (including our GDS service provider) and will not be required to pay any penalty for failing to make any purchase.

For the year ended 31 March 2016, our Group's subsidy income of approximately HK\$0.7 million mainly represented the subsidies provided by the government of Aichi Prefecture of Japan to travel agents for organising tours to the prefecture.

We recorded (i) net exchange losses of approximately HK\$1.6 million for the year ended 31 March 2015 and net exchange gains of approximately HK\$1.1 million, HK\$0.2 million and HK\$0.6 million for the year ended 31 March 2016 and the three months ended 30 June 2015 and 2016 respectively mainly in respect of our Group's assets and liabilities denominated in Japanese Yen; and (ii) fair value losses of approximately HK\$1.9 million and HK\$76,000 for the year ended 31 March 2015 and for the three months ended 30 June 2015 respectively and fair value gains of approximately HK\$20,000 and HK\$18,000 for the year ended 31 March 2016 and the three months ended 30 June 2016 respectively in respect of the forward exchange contracts entered into by our Group with a view to manage exchange rate exposures in relation to the settlement of land costs denominated in Japanese Yen. The net exchange losses and fair value losses on forward exchange contracts were primarily attributable to the generally depreciating trend of Japanese Yen against Hong Kong dollars during the year ended 31 March 2015 and the three months ended 30 June 2015. Net exchange gains and fair value gains on forward exchange contracts were recorded for the year ended 31 March 2016 and the three months ended 30 June 2016, mainly because Japanese Yen has started to appreciate against Hong Kong dollars since January 2016, resulting in a strengthened exchange rate of Japanese Yen against Hong Kong dollars as at 31 March 2016 and 30 June 2016 as compared to the beginning of the financial year/period.

FINANCIAL INFORMATION

Selling expenses

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our Group recorded selling expenses of approximately HK\$14.8 million, HK\$18.4 million, HK\$4.3 million and HK\$4.7 million respectively. The following table sets out the breakdown of our Group's selling expenses for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000 <i>(Unaudited)</i>	%	HK\$'000	%
Advertising and promotion	5,473	37.0	7,966	43.3	1,586	37.1	2,110	45.1
Credit card and debit card charges	4,168	28.2	4,222	22.9	1,108	25.9	924	19.8
Rental and related expenses	3,176	21.5	3,978	21.6	957	22.4	1,072	22.9
Staff costs	364	2.4	723	3.9	157	3.7	214	4.6
Depreciation	445	3.0	608	3.3	151	3.5	184	3.9
TIC levy	632	4.3	550	3.0	183	4.3	116	2.5
Agent commission	454	3.1	263	1.4	59	1.5	30	0.6
Visa fee	76	0.5	107	0.6	69	1.6	25	0.6
Total	14,788	100.0	18,417	100.0	4,270	100.0	4,675	100.0

Our Group's selling expenses increased from approximately HK\$14.8 million for the year ended 31 March 2015 to approximately HK\$18.4 million for the year ended 31 March 2016 and from approximately HK\$4.3 million for the three months ended 30 June 2015 to approximately HK\$4.7 million for the three months ended 30 June 2016 primarily due to the increase in our advertising and promotion expenses.

Below is the description and analysis of the major components in our selling expenses for the Track Record Period.

Advertising and promotion

Our Group advertises and promotes our brand and products through a number of channels, such as sponsoring television travel programmes and films, placing advertisements in travel magazines, newspapers and public transportation, participating in tourism fairs, organising travel seminars and distributing flyers, brochures and leaflets. Advertising and promotion expenses represented the largest component of our selling expenses during the Track Record Period. For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our advertising and promotion expenses amounted to approximately HK\$5.5 million, HK\$8.0 million, HK\$1.6 million and HK\$2.1 million respectively. The increase in our advertising and promotion expenses from the year ended 31 March 2015 to the year ended 31 March 2016 was mainly due to our strengthened marketing efforts by increasing advertisement on public transportation and television. The increase in the expenses from the three months ended 30 June 2015 to the three months ended 30 June 2016 was mainly due to our sponsorship of a travel programme on a major television channel broadcasted during the three months ended 30 June 2016 while there was no such sponsorship and thus no expenses incurred in the three months ended 30 June 2015.

FINANCIAL INFORMATION

Credit card and debit card charges

In addition to cash payment, our Group also accepts other payment methods from customers for our travel products, such as EPS and credit cards. Accordingly, we also incur credit card and debit card charges in respect of payments from customers with credit cards and EPS. Our credit card and debit card charges remained stable at approximately HK\$4.2 million for each of the years ended 31 March 2015 and 2016.

Our credit card and debit card charges slightly decreased from approximately HK\$1.1 million for the three months ended 30 June 2015 to approximately HK\$0.9 million for the three months ended 30 June 2016, mainly attributable to the decrease in revenue from sales of our products.

Rental and related expenses

Our Group's rental and related expenses in selling expenses mainly represented the rentals for our branches, which amounted to approximately HK\$3.2 million and HK\$4.0 million for the years ended 31 March 2015 and 2016 respectively. The increase in our rental and related expenses was primarily due to the relocation of our Causeway Bay branch to a larger unit in the same building in February 2015 to cope with our operations, which resulted in higher rentals for the branch. Our Group's rental and related expenses increased from approximately HK\$1.0 million for the three months ended 30 June 2015 to approximately HK\$1.1 million for the three months ended 30 June 2016 mainly due to the progressive rental increment pursuant to certain tenancy agreements of branches.

Staff costs

Our staff costs in selling expenses mainly represented the staff costs incurred for our tour escorts. The amount increased from approximately HK\$0.4 million for the year ended 31 March 2015 to approximately HK\$0.7 million for the year ended 31 March 2016 mainly as a result of decrease in tours to South Korea and also the gratuity received by our tour escorts during the year ended 31 March 2016 due to the outbreak of MERS in South Korea in May 2015, which in turn resulted in an increase in amount of shortfall we paid to our tour escorts to satisfy the minimum wage requirement in Hong Kong. Our staff costs in selling expenses increased from approximately HK\$157,000 for the three months ended 30 June 2015 to approximately HK\$214,000 for the three months ended 30 June 2016, mainly due to the decreases in package tours departed and so as the gratuity received by our tour escorts during the three months ended 30 June 2016, which increased the shortfall we need to paid to our tour escorts in order to satisfy the minimum wage requirement in Hong Kong.

FINANCIAL INFORMATION

Administrative expenses

Our Group's administrative expenses amounted to approximately HK\$35.7 million, HK\$38.8 million, HK\$8.3 million and HK\$15.1 million for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 30 June 2016 respectively. The following table sets out the breakdown of our Group's administrative expenses for the Track Record Period:

	Year ended 31 March				Three months ended 30 June			
	2015		2016		2015		2016	
	HK\$'000	%	HK\$'000	%	HK\$'000 <i>(Unaudited)</i>	%	HK\$'000	%
Staff costs	25,649	71.8	27,588	71.1	6,047	72.9	7,013	46.4
Rental and related expenses	3,962	11.1	4,028	10.4	1,016	12.2	1,083	7.2
Office, telecommunication and utility expenses	1,882	5.3	2,080	5.4	414	5.0	313	2.1
Listing expenses	—	—	1,209	3.1	—	—	5,732	37.9
Legal and professional fees	668	1.9	715	1.9	—	—	201	1.3
Auditor's remuneration	641	1.8	664	1.7	150	1.8	150	1.0
Entertainment expenses	679	1.9	541	1.4	154	1.9	144	1.0
Repair and maintenance	717	2.0	479	1.2	195	2.4	95	0.6
Depreciation	226	0.6	397	1.0	51	0.6	113	0.7
Overseas and local travelling	477	1.3	395	1.0	107	1.3	59	0.4
Compensation	318	0.9	221	0.6	73	0.9	65	0.4
Bank charges	200	0.6	209	0.5	33	0.4	42	0.3
Insurance	103	0.3	202	0.5	29	0.3	19	0.1
Written-off of other receivables	115	0.3	—	—	—	—	—	—
Others	73	0.2	85	0.2	26	0.3	97	0.6
Total	35,710	100.0	38,813	100.0	8,295	100.0	15,126	100.0

Below is the description and analysis of the major components in our administrative expenses for the Track Record Period.

Staff costs

Our staff costs in administrative expenses mainly represented Directors' remuneration and the salaries and benefits for our administrative and general staff. Staff costs represented the largest component of our administrative expenses during the Track Record Period. The amount slightly increased from approximately HK\$25.6 million for the year ended 31 March 2015 to approximately HK\$27.6 million for the year ended 31 March 2016 mainly as a result of the increase in headcount of our administrative and general staff, such as the additional management staff for our finance and accounting function and human resources function, and the salary increment for the year ended 31 March 2016. Such effect was partially offset by the decrease in our Directors' remuneration from approximately HK\$6.8 million for the year ended 31 March 2015 to approximately HK\$4.3 million for the year ended 31 March 2016. Our staff costs in administrative expenses increased from approximately HK\$6.0 million for the three months ended 30 June 2015 to approximately HK\$7.0 million for the three months ended 30 June 2016 mainly

FINANCIAL INFORMATION

due to the continuous effect of the increase in headcount of our administrative and general staff at managerial level and the salary increment in the year ended 31 March 2016 as mentioned above.

Rental and related expenses

Our Group's rental and related expenses in administrative expenses mainly represented the rentals, rates and management fees for our office premises. The amount remained stable at approximately HK\$4.0 million for each of the years ended 31 March 2015 and 2016. Our rental and related expenses in administrative expenses remained relatively stable for the three months ended 30 June 2015 and 2016 respectively.

Office, telecommunication and utility expenses

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our Group recorded office, telecommunication and utility expenses of approximately HK\$1.9 million, HK\$2.1 million, HK\$0.4 million and HK\$0.3 million respectively, which mainly represented various corporate expenses incurred in our daily operations, such as office supplies, telephone, Internet, printing, computer expenses, electricity and cleaning expenses. The increase in our office, telecommunication and utility expenses was mainly attributable to the increase in our staff headcount during the year ended 31 March 2016.

Legal and professional fees

Our Group's legal and professional fees for the Track Record Period mainly represented the fees for general legal services, company secretarial services, corporate tax services and business consulting services. The amount remained stable at approximately HK\$0.7 million for each of the years ended 31 March 2015 and 2016. Our legal and professional fees increased from nil for the three months ended 30 June 2015 to approximately HK\$0.2 million for the three months ended 30 June 2016 mainly due to the general legal advisory fee for review of contracts and content of online sales platform on our website.

FINANCIAL INFORMATION

Finance costs, net

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 and 2016, our Group recorded net finance costs of approximately HK\$8,000, HK\$26,000, HK\$4,000 and HK\$6,000 respectively, which mainly represented interest expenses incurred on obligations under finance leases. The following table sets forth a breakdown of our net finance costs for the Track Record Period:

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i>
Finance income				
Bank interest income	(1)	(2)	—	—
Finance costs				
Interest expenses on obligations under finance leases	8	25	4	5
Interest expenses on bank overdraft	1	3	—	1
	9	28	4	6
Finance costs, net	8	26	4	6

The increase in our net finance costs was mainly attributable to the additions of motor vehicles in late 2014 and during the year ended 31 March 2016 under finance lease arrangements and the finance costs remained stable for the three months ended 30 June 2015 and 2016 respectively.

Income tax expense/(credit)

The following table sets forth a breakdown of our income tax expense/(credit) for the Track Record Period:

	Year ended 31 March		Three months ended 30 June	
	2015	2016	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i>
Current income tax	3,318	4,886	2,175	—
Deferred income tax	27	191	50	(423)
Total	3,345	5,077	2,225	(423)

Our Group's operations are based in Hong Kong and we are subject to Hong Kong profits tax calculated at 16.5% on the estimated assessable profits for the Track Record Period.

For the years ended 31 March 2015 and 2016, our Group recorded income tax expense of approximately HK\$3.3 million and HK\$5.1 million respectively, representing an effective tax rate of approximately 17.0% and 17.9% for the corresponding years. Such slight increase in our Group's effective tax rate was mainly due to the non-deductible Listing expenses recognised for the year ended 31 March 2016. Our income tax expense turned around from income tax expense of

FINANCIAL INFORMATION

approximately HK\$2.2 million for the three months ended 30 June 2015 to income tax credit of approximately HK\$0.4 million for the three months ended 30 June 2016 mainly attributable to the operating loss of approximately HK\$2.6 million (excluding the Listing expenses of approximately HK\$5.7 million) recognised by our Group for the three months ended 30 June 2016, representing an effective tax rate of approximately 16.5%.

Deferred income tax expense of approximately HK\$27,000, HK\$191,000 and HK\$50,000 were recognised by our Group in respect of the temporary differences arising from depreciation of property, plant and equipment for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2015 respectively. Deferred income tax credit of approximately HK\$423,000 was recognised by our Group for the three months ended 30 June 2016, which was mainly aroused from the recognition of the tax loss (excluding Listing expenses) of approximately HK\$2.6 million for the same period. As at 31 March 2015, 31 March 2016 and 30 June 2016, our Group had (i) deferred income tax assets of approximately HK\$244,000, HK\$102,000 and HK\$525,000 respectively; and (ii) deferred income tax liabilities of nil, approximately HK\$49,000 and HK\$49,000 respectively.

Our Group had no tax obligation arising from other jurisdictions during the Track Record Period. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authority.

LISTING EXPENSES

Our Directors are of the view that the financial results of our Group for the year ending 31 March 2017 are expected to be adversely affected by the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing fees in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$21.6 million (based on the mid-point of the indicative Offer Price range of HK\$0.6 per Share and 100,000,000 Offer Shares). Among the estimated total Listing fees, (i) approximately HK\$6.5 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$15.1 million is expected to be recognised as expenses in our consolidated statements of comprehensive income, of which approximately HK\$1.2 million and HK\$5.7 million had been recognised for the year ended 31 March 2016 and the three months ended 30 June 2016, respectively and the remaining of approximately HK\$8.2 million is expected to be recognised for the nine months ending 31 March 2017.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 March 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 31 March 2017 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our Group's principal liquidity and working capital requirements primarily relate to our operating costs, and prepayment and deposits to our suppliers to secure tours and FIT related services. As most of our customers are retail customers who are required to settle their fees for tours and FIT products before we render our services and/or deliver our products, we have historically funded our liquidity and working capital requirements principally with cash generated from our operations. We also funded our capital expenditures mainly with cash generated from our operations and finance lease arrangements. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, banking facilities, the net proceeds from the Share Offer as well as other external equity and debt financing.

Throughout the Track Record Period, we had net cash inflows from our operating activities. As at 30 June 2016, we had cash and cash equivalents of approximately HK\$76.9 million, of which approximately HK\$73.4 million, HK\$3.3 million and HK\$0.2 million are denominated in Hong Kong dollars, Japanese Yen and other currencies respectively.

Cash flows

The following table summarises our Group's cash flows for the Track Record Period:

	Year ended 31 March		Three months ended 30 June	
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i> <i>(Unaudited)</i>	2016 <i>HK\$'000</i>
Net cash generated from operating activities	1,208	23,137	13,934	7,744
Net cash used in investing activities	(1,252)	(3,040)	(757)	(55)
Net cash used in financing activities	(8,225)	(2,991)	(2,066)	(2,402)
Net (decrease)/increase in cash and cash equivalents	(8,269)	17,106	11,111	5,287
Cash and cash equivalents at beginning of the year/period	62,785	54,516	54,516	71,622
Cash and cash equivalents at end of the year/period	54,516	71,622	65,627	76,909

Cash flows in operating activities

Our Group recorded net cash inflows from operating activities of approximately HK\$1.2 million and HK\$23.1 million for the years ended 31 March 2015 and 2016 respectively. The lower amount of our net cash inflows from operating activities for the year ended 31 March 2015 as compared to the year ended 31 March 2016 was principally attributable to (i) the lower operating profits for the year ended 31 March 2015 as compared to the year ended 31 March 2016; and (ii) the increase of trade deposits paid to our suppliers at the end of the year ended 31 March 2015 by approximately HK\$12.5 million as compared to the beginning of the financial year, mainly for the deposits for air tickets and theme park and train tickets as at 31 March 2015 primarily as a result of the increase in enrolment for tours as at 31 March 2015 for the Easter holidays in early April 2015 and the deposits paid for charter flights reserved for the promotional air tickets sold through online group buying intermediaries during the first quarter of 2015.

FINANCIAL INFORMATION

Our Group recorded net cash inflows from operating activities of approximately HK\$13.9 million and HK\$7.7 million for the three months ended 30 June 2015 and 2016 respectively. The lower amount of our net cash inflows from operating activities for the three months ended 30 June 2016 as compared to the three months ended 30 June 2015 was principally attributable to (i) the operating loss for the three months ended 30 June 2016 as compared to the operating profit for the three months ended 30 June 2015; (ii) the increase in accrued Listing expenses; and (iii) the increase of advanced receipts from customers at the end of the three months ended 30 June 2016 by approximately HK\$8.2 million as compared to that of the three months ended 30 June 2015, mainly as a result of the earlier timing of the Easter holidays in late March in 2016 as compared to the Easter holidays in April in 2015.

Cash flows in investing activities

Our Group had net cash outflows in investing activities of approximately HK\$1.3 million and HK\$3.0 million for the years ended 31 March 2015 and 2016 respectively, which mainly represented (i) payments for additions of leasehold improvements, furniture, fixtures and equipment and motor vehicles amounted to approximately HK\$1.3 million for each of the years ended 31 March 2015 and 2016; and (ii) payment for the development of our online sales platform of approximately HK\$1.8 million during the year ended 31 March 2016.

Our Group had net cash outflows in investing activities of approximately HK\$0.8 million and HK\$55,000 for the three months ended 30 June 2015 and 2016 respectively, which mainly represented payments for additions of leasehold improvement, furniture, fixture and equipment and motor vehicles. During the three months ended 30 June 2015, we received proceeds from disposal of property, plant and equipment of approximately HK\$0.1 million.

Cash flows in financing activities

For the years ended 31 March 2015 and 2016, we recorded cash outflows in financing activities of approximately HK\$8.2 million and HK\$3.0 million respectively, which mainly represented (i) repayments of obligations under finance leases of approximately HK\$0.1 million and HK\$0.3 million; (ii) payment of dividends of approximately HK\$8.1 million and HK\$2.0 million; and (iii) payment of Listing expenses of nil and approximately HK\$0.7 million, for the corresponding years.

For the three months ended 30 June 2015, we recorded cash outflows in financing activities of approximately HK\$2.1 million, which mainly represented (i) repayment of obligations under finance leases of approximately HK\$66,000; and (ii) payment of dividends of approximately HK\$2.0 million. Our cash outflows in financing activities of approximately HK\$2.4 million for the three months ended 30 June 2016 included (i) repayment of obligations under finance leases of approximately HK\$87,000; and (ii) payment for Listing expenses of approximately HK\$2.3 million.

Working capital

After taking into account the following financial resources available to our Group:

- the amounts of net cash generated from operating activities of our Group during the Track Record Period;

FINANCIAL INFORMATION

- our cash and cash equivalents on hand of approximately HK\$71.6 million, HK\$76.9 million and HK\$51.6 million as at 31 March 2016, 30 June 2016 and 30 November 2016 respectively;
- the unutilised overdraft and revolving loan facilities of HK\$16.0 million as at 30 November 2016, being the indebtedness date; and
- the estimated net proceeds from the Share Offer of approximately HK\$38.4 million (based on the mid-point of the indicative Offer Price range of HK\$0.6 per Offer Share and 100,000,000 Offer Shares) to be received by our Group,

our Directors are of the opinion that our Group has sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

NET CURRENT ASSETS

As at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016, our Group had net current assets of approximately HK\$35.5 million, HK\$56.3 million, HK\$47.5 million and HK\$38.5 million respectively. Details of the components are set out as follows:

	As at 31 March		As at 30 June	As at 30 November
	2015	2016	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Current assets				
Inventories	—	431	1,000	1,185
Trade receivables	2,630	226	79	6
Prepayments, deposits and other receivables	30,893	17,478	16,201	50,722
Derivative financial assets	—	8	—	44
Amount due from a related company	92	13	288	154
Current income tax recoverable	705	—	—	—
Cash and cash equivalents	54,516	71,622	76,909	51,572
	88,836	89,778	94,477	103,683
Current liabilities				
Trade payables	5,186	5,027	6,990	7,593
Accruals and other payables	43,062	24,798	36,898	53,766
Obligations under finance leases	269	353	356	243
Amount due to a Director	16	—	—	—
Dividend payable	2,000	—	—	—
Derivative financial liabilities	771	—	—	—
Amounts due to related companies	919	1,393	864	1,311
Current income tax liabilities	1,087	1,892	1,892	2,279
	53,310	33,463	47,000	65,192
Net current assets	35,526	56,315	47,477	38,491

FINANCIAL INFORMATION

Our net current assets increased from approximately HK\$35.5 million as at 31 March 2015 to approximately HK\$56.3 million as at 31 March 2016 mainly due to the decrease in advanced receipts from customers in our accruals and other payables by approximately HK\$19.6 million, which in turn resulted in the decrease in our current liabilities from approximately HK\$53.3 million as at 31 March 2015 to approximately HK\$33.5 million as at 31 March 2016.

Our net current assets decreased from approximately HK\$56.3 million as at 31 March 2016 to approximately HK\$47.5 million as at 30 June 2016 mainly due to (i) the increase in advanced receipts from customers in our accruals and other payables by approximately HK\$8.2 million; (ii) the increase in accrued Listing expenses in our accruals and other payables by approximately HK\$4.0 million; and (iii) the increase in trade payables of approximately HK\$2.0 million, which in turn resulted in the increase in our current liabilities from approximately HK\$33.5 million as at 31 March 2016 to approximately HK\$47.0 million as at 30 June 2016. Such effect was mitigated by the increase in our current assets by approximately HK\$4.7 million from approximately HK\$89.8 million as at 31 March 2016 to approximately HK\$94.5 million as at 30 June 2016 mainly due to the increase in cash and cash equivalents by approximately HK\$5.3 million.

Based on our unaudited combined management accounts, our net current assets decreased from approximately HK\$47.5 million as at 30 June 2016 to approximately HK\$38.5 million as at 30 November 2016 mainly due to (i) the decrease in our cash and cash equivalents by approximately HK\$25.3 million; and (ii) the increase in our accruals and other payables by approximately HK\$16.9 million, which was mitigated by the increase in prepayments, deposits and other receivables by approximately HK\$34.5 million.

For details regarding the major items affecting our net current assets during the Track Record Period, please refer to “— Description and analysis of principal items in the combined statements of financial position” below.

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

The following is the management discussion and analysis on the principal items in our combined statements of financial position as at 31 March 2015, 31 March 2016 and 30 June 2016.

Property, plant and equipment

As at the Latest Practicable Date, we had seven leased properties in Hong Kong for use as our offices and branches. Our Group’s property, plant and equipment as at 31 March 2015 and 2016 mainly represented the leasehold improvements, furniture, fixtures and equipment, and computer software for our leased properties, and also our motor vehicles for our corporate use. Their carrying values amounted to approximately HK\$2.0 million and HK\$3.1 million as at 31 March 2015 and 31 March 2016 respectively.

Our additions of property, plant and equipment for the years ended 31 March 2015 and 2016 were approximately HK\$1.6 million and HK\$2.1 million respectively, mainly made in respect of the relocation of Causeway Bay branch during the Track Record Period, computer and telecommunication equipment for new staff and motor vehicles. Our motor vehicles as 31 March

FINANCIAL INFORMATION

2015 and 31 March 2016 were purchased under finance lease arrangements. Please refer to “— Indebtedness” for details.

Apart from the leasehold improvements, furniture, fixtures and equipment, and computer software for our leased properties, and also our motor vehicles of approximately HK\$2.8 million, property, plant and equipment of approximately HK\$4.8 million as at 30 June 2016 also included website revamp costs under construction of approximately HK\$2.0 million.

During the three months ended 30 June 2016, we recognised the cost of developing online sales platform at our website, of approximately HK\$2.0 million, which was transferred from prepayment. We engaged independent software developers to develop and enhance our online sales platform with an integrated booking system which will allow our customers to purchase our package tours, FIT products and ancillary travel related products with real time confirmation.

Our full servicing online sales platform is expected to be completed by stages in the first half of 2017.

For details of the website revamp costs under construction, please refer to notes 2.5 and 14 to the Accountant’s Report.

Inventories

Our inventory balance as at 31 March 2015, 31 March 2016 and 30 June 2016 was nil, approximately HK\$0.4 million and HK\$1.0 million respectively. It mainly represented admission tickets to attractions and local transportation passes.

Our inventory balance as at 31 March 2015 was nil because we used to purchase admission tickets to attractions and local transportation passes from a related company and did not keep such inventories ourselves. We adopted such arrangement so as to save administrative resources. Since the year ended 31 March 2016, we have started to purchase admission tickets to attractions and local transportation passes directly from suppliers because the related company ceased to conduct such business. Accordingly, inventories of approximately HK\$0.4 million were recorded as at 31 March 2016 and the relevant related party transaction was discontinued for the year ended 31 March 2016. For details, please refer to note 29 to the Accountant’s Report. Our inventory balances further increased to approximately HK\$1.0 million as at 30 June 2016, which was mainly due to our purchase of admission tickets of theme park to cater for demand in summer holiday. Our inventory balances increased to approximately HK\$1.2 million as at 30 November 2016 mainly due to our purchase of admission tickets of a theme park in August 2016 to cater for demand up to February 2017.

We generally determine the amount of admission tickets to attractions and local transportation passes to be purchased from suppliers based on a number of factors, including the minimum purchase amount required by the respective suppliers, whether the tickets and passes are exchangeable upon expiry, whether there will be any promotion events, our historical usage and our intended level of minimum inventory balance. Some of the admission tickets and local transportation passes are exchangeable once for new tickets or passes in case they are not used prior to their expiry date. During the Track Record Period, we did not record any impairment of inventories.

FINANCIAL INFORMATION

As at the Latest Practicable Date, approximately 96.0% of our inventories as at 30 June 2016 were subsequently utilised.

Trade receivables

Our customers are mainly retail customers who purchase our package tours, FIT products and ancillary travel related products and services. We also sell our travel products to other travel agents. We generally do not offer credit term to our customers. During the Track Record Period, we offered credit term of up to 8 days after each month end to a travel agent in Hong Kong. For our promotional sales of travel products through online group buying intermediaries, we will submit payment request to them upon receiving their redemption report after the end of redemption period.

As at 31 March 2015, 31 March 2016 and 30 June 2016, we had trade receivables of approximately HK\$2.6 million, HK\$0.2 million and HK\$79,000 respectively, which mainly represented the trade receivables from travel agents and online group buying intermediaries. The higher balance of our trade receivables as at 31 March 2015 as compared to 31 March 2016 was mainly attributable to our Group's promotional sales of air tickets to Osaka, Nagoya, Fukuoka and Seoul through online group buying intermediaries during the first quarter of 2015, which resulted in a higher balance of trade receivables from online group buying intermediaries as at 31 March 2015. Our trade receivables further decreased to approximately HK\$79,000 as at 30 June 2016, which was mainly because lower sales was generated from online group buying intermediaries during the three months ended 30 June 2016 as compared to that for the three months ended 31 March 2016.

The following table sets out the trade receivable turnover days of our Group for the Track Record Period:

	<u>Year ended 31 March</u>		<u>Three months ended 30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade receivable turnover days ^(Note)	<u>1.2</u>	<u>1.2</u>	<u>0.2</u>

Note: Trade receivable turnover days are calculated by dividing the average trade receivable balance by revenue for the relevant financial year/period multiplied by the number of days during the financial year/period (i.e. 365 days for the years ended 31 March 2015 and 2016 and 91 days for the three months ended 30 June 2016). Average trade receivable balance is the average of the beginning and ending trade receivable balances for the relevant financial year/period.

We maintained short trade receivable turnover days during the Track Record Period at approximately 1.2 days for each of the years ended 31 March 2015 and 2016 and approximately 0.2 days for the three months ended 30 June 2016 as the majority of our revenue was derived from retail customers who were required to settle their fees when they purchased travel products from our Group.

FINANCIAL INFORMATION

The following table sets out an ageing analysis of our Group's trade receivables based on invoice date as at the dates indicated:

	<u>As at 31 March</u>		<u>As at 30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	2,570	226	18
31 to 60 days	—	—	60
61 to 90 days	—	—	1
91 to 120 days	60	—	—
Total	<u>2,630</u>	<u>226</u>	<u>79</u>

As at 31 March 2015, 31 March 2016 and 30 June 2016, trade receivables of approximately HK\$89,000, nil and nil were considered past due but not impaired. The past due balances mainly related to receivables from online group buying intermediaries which we considered to have no significant financial difficulty and the outstanding balances from which were considered subsequently recoverable. During the Track Record Period, we did not record any impairment of trade receivables. Set out below is the ageing analysis based on due date of these past due trade receivables:

	<u>As at 31 March</u>		<u>As at 30 June</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	29	—	—
31 to 60 days	60	—	—
Total	<u>89</u>	<u>—</u>	<u>—</u>

As at the Latest Practicable Date, all of our Group's trade receivables as at 30 June 2016 were subsequently settled.

Prepayments, deposits and other receivables

As at 31 March 2015, 31 March 2016 and 30 June 2016, our Group had prepayments, deposits and other receivables of (i) approximately HK\$1.2 million, HK\$2.7 million and HK\$1.4 million respectively, which were non-current; and (ii) approximately HK\$30.9 million, HK\$17.5 million and HK\$16.2 million respectively, which were current.

FINANCIAL INFORMATION

The following table sets out a breakdown of prepayments, deposits and other receivables of our Group as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current portion			
Rental deposits	716	874	1,424
Prepayments for property, plant and equipment	434	—	—
Prepayments for website development costs	—	1,832	—
Total	1,150	2,706	1,424
Current portion			
Trade deposits	25,524	12,456	10,951
Rental, utilities and related deposits	1,362	980	739
Prepayment for Listing expenses	—	1,453	2,315
Amounts due from employees	2,633	927	723
Other prepayments	785	909	1,173
Other deposits	589	753	300
Total	30,893	17,478	16,201

Non-current portion

Our Group had non-current prepayments, deposits and other receivables of approximately HK\$1.2 million, HK\$2.7 million and HK\$1.4 million as at 31 March 2015, 31 March 2016 and 30 June 2016 respectively, which mainly represented rental deposits, prepayments for property, plant and equipment and prepayments for website development costs. The increase in the balance from 31 March 2015 to 31 March 2016 was mainly attributable to the prepayment of approximately HK\$1.8 million made for the development of our online sales platform during the year ended 31 March 2016. The decrease in the balance from 31 March 2016 to 30 June 2016 was mainly due to the recognition of prepayments for the development costs of online sales portal at our website of approximately HK\$1.8 million as property, plant and equipment, which was mitigated by the increase in the non-current portion of rental deposit of approximately HK\$0.6 million due to the reclassification of approximately HK\$0.2 million of rental deposit from current to non-current portion as a result of the renewal of tenancy agreement for our existing branch in Shatin and the addition of approximately HK\$0.4 million which was attributable to the deposit paid for a new tenancy agreement for our expansion of branch in Shatin, which commenced in September 2016.

Current portion

Our Group's current prepayments, deposits and other receivables amounted to approximately HK\$30.9 million, HK\$17.5 million and HK\$16.2 million as at 31 March 2015, 31 March 2016 and 30 June 2016 respectively, which mainly represented trade deposits, rental, utilities and other deposits, prepayment for Listing expenses and amounts due from employees. The decrease in the balance from 31 March 2015 to 31 March 2016 was primarily as a result of the decrease in our balances of (i) trade deposits; (ii) rental, utilities and other deposits; and (iii) amounts due from

FINANCIAL INFORMATION

employees. The slight decrease in the balance from 31 March 2016 to 30 June 2016 was mainly due to the decreases in (i) non-current portion of the rental deposits; (ii) trade deposits; and (iii) amounts due from employees, which were partially offset by the increase in (i) prepayment for Listing expenses; and (ii) other prepayments and other deposits.

Trade deposits mainly represented the deposits for air tickets reservation, theme park and railway tickets deposits and hotel deposits made by us for the upcoming package tours and other travel products enrolled by our customers. As at 31 March 2015, 31 March 2016 and 30 June 2016, our trade deposits amounted to approximately HK\$25.5 million, HK\$12.5 million and HK\$11.0 million respectively, out of which approximately HK\$18.7 million, HK\$6.8 million and HK\$8.4 million represented deposits for air tickets reservation as at the corresponding reporting dates. The higher balance of trade deposits as at 31 March 2015 as compared to 31 March 2016 was mainly due to the increase in enrolment for tours as at 31 March 2015 for the Easter holidays in early April 2015, whereas the lower balance as at 31 March 2016 was primarily attributable to the earlier timing of the Easter holidays in late March 2016. The slight decrease in the balance from 31 March 2016 to 30 June 2016 was in line with the decrease in sales of July 2016 as compared to that of April 2016.

Our balance of rental, utilities and other deposits decreased from approximately HK\$1.4 million as at 31 March 2015 to approximately HK\$1.0 million as at 31 March 2016. As we relocated our Causeway Bay branch in February 2015, the balance as at 31 March 2015 included the rental deposits for both of the previous and existing premises of our Causeway Bay branch and a renovation deposit for our existing Causeway Bay branch. The rental deposit for our previous Causeway Bay branch of approximately HK\$0.3 million and the renovation deposit of approximately HK\$0.1 million were subsequently refunded to us during the year ended 31 March 2016. The decrease in the balance of approximately HK\$0.2 million from 31 March 2016 to 30 June 2016 was mainly due to the reclassification of rental deposit from current to non-current portion as a result of the renewal of tenancy agreement for our existing branch in Shatin.

Amounts due from employees generally include the gratuity receivable by our Group collected by tour escorts and cash advances to our tour escorts for leading tours. We had a higher balance of approximately HK\$2.6 million as at 31 March 2015 as compared to that of approximately HK\$1.0 million as at 31 March 2016 as the balance as at 31 March 2015 included the bank balance of approximately HK\$1.9 million at a bank account in Macau in the name of our accounting staff, which was for the sole purpose of receiving fees from travel agents in Macau. As at 31 March 2016, most of the balance in this bank account was transferred to our Group. As at 31 March 2016, such bank account was closed and a corporate business account was maintained by our Group in Macau for the same purpose.

We used the bank account of our accounting staff since 2007 because we were rejected by the bank to open a corporate business account based on their approval procedures including considering their business interests and administrative reasons on a case by case basis. As part of our initiative to improve our internal control system prior to the Listing, we applied to open a corporate business account with the bank in Macau again in 2015. The corporate business account in Macau was then approved by the bank in late March 2016 based on reasons including

FINANCIAL INFORMATION

satisfactory know-your-client check by the bank, our well-established brand name in the travel industry in Hong Kong and our long-established relationship with the bank in Hong Kong.

As at 31 March 2016 and 30 June 2016, we had prepayments for Listing expenses of approximately HK\$1.5 million and HK\$2.3 million respectively mainly for deduction from equity upon Listing.

Trade payables

Our Group's trade payables are mainly related to payables for airfare costs and land costs. Our balance of trade payables remained stable at approximately HK\$5.2 million and HK\$5.0 million as at 31 March 2015 and 31 March 2016 respectively. While no credit term was granted by our airline suppliers, some of our other suppliers allow us to settle based on month end statement. Our trade payable balance increased by approximately HK\$2.0 million from approximately HK\$5.0 million as at 31 March 2016 to approximately HK\$7.0 million as at 30 June 2016 mainly due to the increase in balances relating to a major tour buses operator and a land operator who issued the invoices to us closer to the end of the three months ended 30 June 2016.

Our trade payable turnover days remained stable at approximately 5.1 days and 5.0 days for the years ended 31 March 2015 and 2016 respectively, and increased to approximately 7.5 days for the three months ended 30 June 2016 mainly due to the higher proportion of hotel tariffs and land operator costs and lower proportion of airfare costs as a percentage of total cost of sales for the three months ended 30 June 2016 as compared to that for the years ended 31 March 2015 and 2016, which we generally settle after the month-end statements for hotel tariffs and land operator costs while we generally pay deposits and full payments before departure for air flight charges. The following table sets out the trade payable turnover days of our Group for the Track Record Period:

	<u>Year ended 31 March</u>		<u>Three months ended</u>
	<u>2015</u>	<u>2016</u>	<u>30 June 2016</u>
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade payable turnover days ^(Note)	<u>5.1</u>	<u>5.0</u>	<u>7.5</u>

Note: Trade payable turnover days are calculated by dividing the average trade payable balance by cost of sales for the relevant financial year/period multiplied by the number of days during the financial year/period (i.e. 365 days for each of the financial years ended 31 March 2015 and 2016 and 91 days for the three months ended 30 June 2016). Average trade payable balance is the average of the beginning and ending trade payable balances for the relevant financial year/period.

FINANCIAL INFORMATION

The following table sets out an ageing analysis of our Group's trade payables as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	3,756	4,418	6,033
31 to 60 days	644	258	238
61 to 90 days	294	60	300
91 to 120 days	410	276	155
Over 120 days	82	15	264
Total	5,186	5,027	6,990

As at the Latest Practicable Date, all of our Group's trade payables as at 30 June 2016 were subsequently settled.

Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Accruals and other payables

As at 31 March 2015, 31 March 2016 and 30 June 2016, our Group had accruals and other payables of approximately HK\$43.1 million, HK\$24.8 million and HK\$36.9 million respectively. The following table sets out a breakdown of accruals and other payables of our Group as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Advanced receipts from customers	39,234	19,639	27,834
Accrued staff costs	1,321	1,732	1,530
Accrued Listing expenses	—	762	4,751
Other payables	2,507	2,665	2,783
Total	43,062	24,798	36,898

Our Group's accruals and other payables decreased from approximately HK\$43.1 million as at 31 March 2015 to approximately HK\$24.8 million as at 31 March 2016 primarily as a result of the decreases in advanced receipts from customers. Our accruals and other payables increased from approximately HK\$24.8 million as at 31 March 2016 to approximately HK\$36.9 million as at 30 June 2016 mainly due to the increases in advanced receipts from customers and accrued Listing expenses.

We require our customers of package tours to make full payment between ten to 30 days prior to the date of departure depending on the types of tours and depending on whether it is a non-peak

FINANCIAL INFORMATION

or peak season. Accordingly, we had balance of advanced receipts from customers amounted to approximately HK\$39.2 million, HK\$19.6 million and HK\$27.8 million as at 31 March 2015, 31 March 2016 and 30 June 2016 respectively. The higher balance of advanced receipts from customers as at 31 March 2015 as compared to 31 March 2016 was mainly due to the increase in enrolment for tours as at 31 March 2015 for the Easter holidays in early April 2015, whereas the lower balance as at 31 March 2016 was primarily attributable to the earlier timing of the Easter holidays in late March 2016. The decrease in the balance was generally in line with the decrease in our trade deposits as at 31 March 2016 as compared to 31 March 2015. The increase in advanced receipts from customers from approximately HK\$19.6 million as at 31 March 2016 to approximately HK\$27.8 million as at 30 June 2016 was in line with the increase in sales of July and August of 2016 as compared to that of April and May of 2016.

Other payables of approximately HK\$2.5 million, HK\$2.7 million and HK\$2.8 million remained relatively stable as at 31 March 2015, 31 March 2016 and 30 June 2016 respectively, which mainly represented the accruals and payables for audit fee, insurance expenses, advertising and promotion expenses, legal and professional fees and other corporate expenses.

The accrued Listing expenses increased from approximately HK\$0.8 million as at 31 March 2016 to approximately HK\$4.8 million as at 30 June 2016.

Our Directors have confirmed that our Group did not have any material default in payment of accruals and other payables during the Track Record Period.

Derivative financial assets and liabilities

During the Track Record Period, our Group entered into forward exchange contracts to manage our foreign exchange rate exposures in relation to the settlement of land costs denominated in Japanese Yen. The entering into of forward exchange contracts by our Group is not for speculative purposes. The financial assets and liabilities in respect of the forward exchange contracts are classified as financial assets or liabilities at fair value through profit or loss.

The notional principal amounts of the outstanding forward exchange contracts as at 31 March 2015, 31 March 2016 and 30 June 2016 were approximately HK\$6.0 million, HK\$1.4 million and nil respectively. The following table sets forth the financial assets and liabilities in respect of our Group's forward exchange contracts as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Derivative financial assets	—	8	—
Derivative financial liabilities	(771)	—	—

Our Group recorded derivative financial liabilities of approximately HK\$0.8 million as at 31 March 2015 and derivative financial assets of approximately HK\$8,000 as at 31 March 2016 in respect of our Group's forward exchange contracts. The financial liability position as at 31 March

FINANCIAL INFORMATION

2015 was primarily attributable to the generally depreciating trend of Japanese Yen against Hong Kong dollars during the year ended 31 March 2015, whereas the financial asset position as at 31 March 2016 was mainly attributable to the appreciation of Japanese Yen against Hong Kong dollars since January 2016, resulting in a strengthened exchange rate of Japanese Yen against Hong Kong dollars as at 31 March 2016 as compared to beginning of the financial year. As at 30 June 2016, our Group had no outstanding forward exchange contract.

For the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016, we had seven, seven and eight forward exchange contracts to purchase Japanese Yen, which had an aggregate notional value of approximately HK\$21.0 million, HK\$10.7 million and HK\$7.0 million respectively. For details regarding our Group's policy on foreign exchange risk control, please refer to "Business — Internal control and risk management — Foreign exchange risk control".

The following table sets out the details of our Group's forward exchange contracts during the Track Record Period:

Determination date	Settlement date	Amount HK\$	Exercise rate HK\$/JPY	Exchange rate on determination date	Year ended 31 March 2015		Year ended 31 March 2016		Three months ended 30 June 2016	
					Realised gain / (loss) HK\$'000	Unrealised gain / (loss) HK\$'000	Realised gain / (loss) HK\$'000	Unrealised gain / (loss) HK\$'000	Realised gain / (loss) HK\$'000	Unrealised gain / (loss) HK\$'000
25 September 2014	29 September 2014	3,000,000	0.0739	0.07390	—	—	—	—	—	—
27 October 2014	29 October 2014	3,000,000	0.0739	0.07390	—	—	—	—	—	—
25 November 2014	28 November 2014	3,000,000	0.0739	0.07000	(158)	—	—	—	—	—
29 December 2014	5 January 2015	3,000,000	0.0739	0.06800	(246)	—	—	—	—	—
26 January 2015	28 January 2015	3,000,000	0.0739	0.06800	(246)	—	—	—	—	—
25 February 2015	27 February 2015	3,000,000	0.0739	0.06800	(246)	—	—	—	—	—
25 March 2015	27 March 2015	3,000,000	0.0739	0.06800	(246)	—	—	—	—	—
27 April 2015	30 April 2015	3,000,000	0.0739	0.06470	—	(386)	13	—	—	—
26 May 2015	28 May 2015	3,000,000	0.0739	0.06240	—	(386)	(98)	—	—	—
18 September 2015	16 October 2015	651,800	0.0652	0.06480	—	—	(4)	—	—	—
19 January 2016	17 February 2016	663,500	0.0664	0.06820	—	—	17	—	—	—
22 January 2016	22 February 2016	661,500	0.0662	0.06870	—	—	24	—	—	—
25 January 2016	25 February 2016	1,316,000	0.0658	0.06900	—	—	60	—	—	—
29 March 2016	29 April 2016	1,371,600	0.0686	0.07260	—	—	—	8	69	—
14 April 2016	14 May 2016	711,200	0.0711	0.07140	—	—	—	—	3	—
15 April 2016	15 May 2016	709,300	0.0709	0.07140	—	—	—	—	5	—
10 May 2016	10 June 2016	716,600	0.0717	0.06980	—	—	—	—	(19)	—
10 May 2016	12 June 2016	716,500	0.0717	0.06980	—	—	—	—	(19)	—
19 May 2016	19 June 2016	706,500	0.0707	0.06980	—	—	—	—	(9)	—
19 May 2016	20 June 2016	706,500	0.0707	0.06980	—	—	—	—	(9)	—
25 May 2016	26 May 2016	701,000	0.0701	0.07080	—	—	—	—	7	—
25 May 2016	25 June 2016	708,000	0.0708	0.06980	—	—	—	—	(10)	—
					(1,142)	(772)	12	8	18	—
Total for the year/period					(1,914)		20		18	

FINANCIAL INFORMATION

Amounts due from and to related parties

The following table sets out for a summary of our Group's amounts due from and to related parties as at the dates indicated:

	As at 31 March		As at 30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
Amount due from a related company	92	13	288
Amount due to a Director	16	—	—
Amounts due to related companies	919	1,393	864
Total	935	1,393	864

The amount due to a Director of approximately HK\$16,000 as at 31 March 2015 represented rental deposits paid by a Director on behalf of our Group. The amount was unsecured, interest-free and repayable on demand. The balance was fully settled during the year ended 31 March 2016.

The amount due from a related company was originated from purchases made by our Group on behalf of such related company. The amounts due to related companies mainly represented the amounts payable to such related companies for their services provided to our Group, which are disclosed in note 29 to the Accountant's Report. These balances were unsecured, interest-free and repayable on demand.

Our Directors confirm that, save for the balances with related parties in relation to our Group's continuing connected transactions upon Listing, any outstanding balances with related parties will be fully settled prior to Listing.

INDEBTEDNESS

As at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016, our Group had outstanding indebtedness of approximately HK\$0.6 million, HK\$0.6 million, HK\$0.5 million and HK\$0.4 million respectively, which represented obligations under finance leases.

Obligations under finance leases

As at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016, our Group had outstanding obligations under finance leases of approximately HK\$616,000, HK\$611,000, HK\$524,000 and HK\$377,000 respectively in respect of the motor vehicles of our Group for corporate use. The lease terms range from three to four years with effective interest rates of approximately 3.84%, 5.68%, 5.52% and 5.52% per annum as at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016 respectively. Our obligations under finance leases as at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016 were denominated in Hong Kong dollars.

FINANCIAL INFORMATION

The following table sets forth a detailed breakdown of our obligations under finance leases as at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016:

	<u>As at 31 March</u>		<u>As at 30 June</u>	<u>As at 30 November</u>
	<u>2015</u>	<u>2016</u>	<u>2016</u>	<u>2016</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(Unaudited)</i>
Gross finance lease liabilities — minimum lease payments				
No later than one year	283	370	370	253
Later than one year and no later than two years	283	159	88	88
Later than two years and no later than five years	70	110	88	51
	<u>636</u>	<u>639</u>	<u>546</u>	<u>392</u>
Future finance charges on finance leases	(20)	(28)	(22)	(15)
Present values of finance lease liabilities	<u>616</u>	<u>611</u>	<u>524</u>	<u>377</u>
Present values of finance lease liabilities				
No later than one year	269	353	356	243
Later than one year and no later than two years	277	151	82	84
Later than two years and no later than five years	70	107	86	50
Total obligations under finance leases	<u>616</u>	<u>611</u>	<u>524</u>	<u>377</u>

The comparable balance of our obligations under finance leases as at 31 March 2015 and 31 March 2016 was due to the addition of a motor vehicle during the year ended 31 March 2016 under finance lease arrangement and the decrease from 31 March 2016 to 30 June 2016 and 30 November 2016 was mainly due to the repayment during the period.

Our Directors confirm that there was no material delay or default in repayment of obligations under finance leases during the Track Record Period and up to the Latest Practicable Date.

Banking facilities

As at 30 November 2016, our Group had overdraft facility of HK\$10.0 million, bank guarantee of HK\$5.0 million, notional limit of treasury products facility (including forward exchange contracts) of HK\$30.0 million and revolving loan facility of HK\$6.0 million, out of which (i) bank guarantee of HK\$2.6 million were issued to our suppliers which are mainly airlines; and (ii) notional limit of treasury products facility was utilised as to HK\$2.8 million for forward exchange contract.

The above banking facilities were secured by (i) a residential property owned by a related company; (ii) an office property (including its rental assignment) owned by a related company; (iii) corporate guarantee by a related company; (iv) cross guarantee from PTHK and a related company; and (v) personal guarantees by Mr. SK Yuen and Ms. Chan, our executive Directors and Controlling Shareholders. The banking facilities do not contain any material financial covenants.

Our Directors confirm that (i) the charges over the properties of related companies; (ii) the corporate guarantee provided by a related company; (iii) cross guarantee from PTHK and a related

FINANCIAL INFORMATION

company; and (iv) personal guarantees provided by our Directors and Controlling Shareholders in respect of our Group's banking facilities will be released upon Listing.

To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities or renewing our existing banking facilities with commercially acceptable terms after Listing.

Contingent liabilities

As at 31 March 2015, 31 March 2016, 30 June 2016 and 30 November 2016, our Group did not have any significant contingent liabilities.

Save for disclosed above and apart from intra-group liabilities, our Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities as at 30 November 2016, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Material indebtedness change

Our Directors have confirmed that, up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 30 November 2016, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors have confirmed that as at the Latest Practicable Date, our Group did not have any plans to raise any material debt financing shortly after Listing.

OPERATING LEASE COMMITMENTS

As at 31 March 2015, 31 March 2016 and 30 June 2016, our Group had the following non-cancellable operating lease commitments in respect of our Group's leased properties and office equipment:

	As at 31 March		As at 30 June
	2015	2016	2016
	HK\$'000	HK\$'000	HK\$'000
No later than one year	4,550	5,513	4,517
Later than one year and no later than five years	4,102	2,967	2,949
Total	8,652	8,480	7,466

CAPITAL COMMITMENTS

Our capital expenditure contracted for but not yet provided for in our Combined Financial Information as at 31 March 2015, 31 March 2016 and 30 June 2016 amounted to nil, approximately HK\$1.9 million and HK\$1.7 million respectively. The commitments as at 31 March 2016 and 30 June 2016 represented the development costs for our online sales platform.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Historical capital expenditures

During the Track Record Period, our capital expenditures mainly comprised (i) additions of property, plant and equipment of approximately HK\$1.6 million, HK\$2.1 million and HK\$55,000 for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 respectively; and (ii) additions of development of online sales platform of approximately HK\$2.0 million during the three months ended 30 June 2016 which included expenditure paid of approximately HK\$1.8 million during the year ended 31 March 2016 and payable of approximately HK\$0.2 million during the three months ended 30 June 2016. We principally funded our capital expenditures with internal resources and finance lease arrangements.

Planned capital expenditures

Save for (i) the planned capital expenditures as disclosed in “Future Plans and Use of Proceeds” and “— Capital commitments” above; and (ii) the additions of property, plant and equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditures as at the Latest Practicable Date.

PROPERTY INTERESTS

As at the Latest Practicable Date, we leased seven properties in Hong Kong for use and to be used as our offices and branches. For details, please refer to “Business — Properties”. As at the Latest Practicable Date, we did not own any properties.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions in relation to lease of property and certain travel related services, details of which are set out in note 29 to the Accountant’s Report. Our Directors are of the view that these related party transactions as a whole were generally conducted in the ordinary course of our Group’s business on an arm’s length basis.

Having considered that the amounts of these related party transactions are relatively insignificant as compared to our Group’s revenue and they were conducted on an arm’s length basis as a whole, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance.

For further details of the related party transactions to be continued after Listing, please refer to “Connected Transactions”.

OFF-BALANCE SHEET TRANSACTIONS

Our Directors confirm that our Group had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

FINANCIAL INFORMATION

ANALYSIS OF KEY FINANCIAL RATIOS

		Year ended 31 March		Three months ended
		2015	2016	30 June 2016
Net profit/(loss) margin before interest and tax (%)	(Note 1)	4.3	6.3	(10.1)
Net profit/(loss) margin (%)	(Note 2)	3.5	5.1	(9.4)
Return on equity (%)	(Notes 3 and 10)	43.3	38.1	N/A
Return on total assets (%)	(Notes 4 and 10)	17.6	24.2	N/A
Interest coverage (times)	(Note 5)	2,188.7	1,015.5	N/A
		As at 31 March		As at 30 June
		2015	2016	2016
Current ratio (times)	(Note 6)	1.7	2.7	2.0
Quick ratio (times)	(Note 7)	1.7	2.7	2.0
Gearing ratio (%)	(Note 8)	1.6	1.0	1.0
Debt-to-equity ratio (%)	(Note 9)	N/A	N/A	N/A

Notes:

1. Net profit/(loss) margin before interest and tax is calculated based on the net profit/(loss) netting off the interest and tax expense for the financial year/period divided by total revenue for the financial year/period multiplied by 100%.
2. Net profit/(loss) margin is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year/period divided by total revenue for the financial year/period and multiplied by 100%.
3. Return on equity is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year/period divided by equity attributable to owners of our Company at the end of the financial year/period and multiplied by 100%.
4. Return on total assets is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year/period divided by total assets at the end of the financial year/period and multiplied by 100%.
5. Interest coverage is calculated based on the profit before interest and tax for the financial year divided by interest expenses for the financial year.
6. Current ratio is calculated based on the total current assets at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
7. Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
8. Gearing ratio is calculated based on total debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Debt of our Group refers to obligations under finance leases.
9. Debt-to-equity ratio is calculated based on net debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Net debt is defined to include all borrowings net of cash and cash equivalents.
10. Return on equity and return on total assets for the three months ended 30 June 2016 are not comparable to those for the years ended 31 March 2015 and 2016.

FINANCIAL INFORMATION

Net profit margin and net profit margin before interest and tax

Our Group recorded net profit margin of approximately 3.5%, 5.1% and (9.4)% for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 respectively. The growth in our net profit margin for the years ended 31 March 2015 and 2016 was mainly attributable to the increase in our gross profit margin mainly driven by the lower price of airline services for the year ended 31 March 2016 as compared to the year ended 31 March 2015. The significant decrease of our net profit margin to a negative value for the three months ended 30 June 2016 was primarily attributable to (i) our significant drop in our revenue due to (a) the negative impact of the 2016 Kumamoto Earthquake occurred in April 2016; (b) the decrease in demand of customers who are cost conscious for our package tours bound for Japan due to the continued appreciation of Japanese Yen against Hong Kong dollars together with the intense competition within the industry; and (c) the downward adjustment of the selling price of our package tours in view of the fierce industry competition; (ii) increase in our cost of sales mainly due to (a) the continuous strong exchange rate of Japanese Yen against Hong Kong dollars; and (b) the increase in the hotel tariffs in Japan; and (iii) our significant increase in administrative expenses mainly due to (a) increase in staff cost as a result of the increase in headcount at managerial level; and (b) the Listing expenses incurred.

Our net profit margin before interest and tax was approximately 4.3%, 6.3% and (10.1)% for the years ended 31 March 2015 and 2016 and the three months ended 30 June 2016 respectively, which was generally in line with the trend of our net profit margin.

Return on equity

Our Group had return on equity of approximately 43.3% and 38.1% for the years ended 31 March 2015 and 2016 respectively. The decrease in our return on equity from 31 March 2015 to 31 March 2016 was primarily due to the increase in our equity base as at 31 March 2016 as a result of the profit recognised for the year ended 31 March 2016.

Return on total assets

Our Group had return on total assets of approximately 17.6% and 24.2% for the years ended 31 March 2015 and 2016 respectively. The increase in our return on total assets from 31 March 2015 to 31 March 2016 was mainly driven by the increase in our net profit for the year ended 31 March 2016 as compared to the previous financial year and the effect of which outweighed the increase in our total assets.

Interest coverage

Our Group's interest coverage for the years ended 31 March 2015 and 2016 was over 2,000 times and over 1,000 times respectively. The lower interest coverage was mainly due to the increase in our interest expense incurred for finance leases, which was resulted from the addition of a motor vehicle under finance lease arrangement during the year ended 31 March 2016. Our Group recorded a loss before interest and tax for the three months ended 30 June 2016 and thus the ratio was not applicable for such period.

FINANCIAL INFORMATION

Current ratio and quick ratio

Our current ratio improved from approximately 1.7 times as at 31 March 2015 to approximately 2.7 times as at 31 March 2016. Such improvement of our current ratio from 31 March 2015 to 31 March 2016 was primarily attributable to the decrease in our current liabilities from approximately HK\$53.3 million as at 31 March 2015 to approximately HK\$33.5 million as at 31 March 2016 mainly as a result of the decrease in advanced receipts from customers in our accruals and other payables, while our current assets as at 31 March 2015 and 31 March 2016 remained stable at approximately HK\$88.8 million and HK\$89.8 million respectively. Our current ratio decreased from approximately 2.7 times as at 31 March 2016 to approximately 2.0 times as at 30 June 2016, which was mainly due to the increase in current liabilities which outweighed the increase in current assets from 31 March 2016 to 30 June 2016.

As our Group only carried insignificant amount of inventories of nil, approximately HK\$0.4 million and HK\$1.0 million as at 31 March 2015, 31 March 2016 and 30 June 2016 respectively, our Group's quick ratio was equivalent or close to our current ratio.

Gearing ratio

Our Group maintained a low gearing ratio of approximately 1.6%, 1.0% and 1.0% as at 31 March 2015, 31 March 2016 and 30 June 2016 respectively. The lower gearing ratio as at 31 March 2016 as compared to 31 March 2015 was mainly attributable to the increase in our equity base as at 31 March 2016 as a result of the profit recognised for the Track Record Period. Our gearing ratio remained stable as at 31 March 2016 and 30 June 2016.

Debt-to-equity ratio

Our Group had net cash position as at 31 March 2015, 31 March 2016 and 30 June 2016. Accordingly, debt-to-equity ratio was not applicable to our Group.

SENSITIVITY AND BREAKEVEN ANALYSES

Sensitivity analysis

During the Track Record Period, our largest operating cost components included airfare costs, hotel tariffs and land operator costs. These three largest operating cost components amounted to (i) approximately HK\$205.9 million, HK\$78.8 million and HK\$43.8 million for the year ended 31 March 2015 respectively, representing approximately 53.1%, 20.3% and 11.3% of our total cost of sales for the same financial year respectively, (ii) approximately HK\$196.1 million, HK\$84.4 million and HK\$32.8 million for the year ended 31 March 2016 respectively, representing approximately 53.1%, 22.9% and 8.9% of our total cost of sales for the same financial year respectively; and (iii) approximately HK\$28.6 million, HK\$22.5 million and HK\$7.5 million for the three months ended 30 June 2016 respectively, representing approximately 40.0%, 31.5% and 10.4% of our total cost of sales for the same period respectively. The historical fluctuation of our airfare costs, hotel tariffs and land operator costs for the two years ended 31 March 2015 and 2016 was approximately 4.8%, 7.1% and 25.1% respectively.

Certain of our land costs, such as hotel tariffs, transportation costs, meal expenses and admission ticket costs are denominated in Japanese Yen. For the years ended 31 March 2015, 2016

FINANCIAL INFORMATION

and the three months ended 30 June 2016, approximately HK\$140.8 million, HK\$144.2 million and HK\$38.9 million, or approximately 36.3%, 39.0% and 54.3%, of our total cost of sales was denominated in Japanese Yen. During the Track Record Period and up to the Latest Practicable Date, the exchange rate of Japanese Yen against Hong Kong dollars had been fluctuating and ranged between HK\$0.0617:JPY1 and HK\$0.0776:JPY1.

The following table sets forth the sensitivity analysis on our major operating cost components, namely airfare costs, hotel tariffs and land operator costs, based on their respective historical fluctuation of 4.8%, 7.1% and 25.1% for the two years ended 31 March 2015 and 2016 respectively, and their effects on our Group's net profit for each financial year/period during the Track Record Period with all other variables held constant:

	Increase/(decrease) in percentage	Increase/(decrease) in net profit		
		Year ended 31 March		Three months ended 30 June
		2015	2016	2016
		HK\$'000	HK\$'000	HK\$'000
Airfare costs	4.8%	(9,884)	(9,413)	(1,374)
	(4.8)%	9,884	9,413	1,374
Hotel tariffs	7.1%	(5,595)	(5,993)	(1,598)
	(7.1)%	5,595	5,993	1,598
Land operator costs	25.1%	(10,989)	(8,231)	(1,876)
	(25.1)%	10,989	8,231	1,876

The following table sets forth the sensitivity analysis on Japanese Yen based on the lowest and the highest exchange rate of Japanese Yen against Hong Kong dollars during the Track Record Period and up to the Latest Practicable Date and the effect for each financial year/period during the Track Record Period with all other variables held constant:

		Increase/(decrease) in net profit		
		Year ended 31 March		Three months ended 30 June
		2015	2016	2016
		HK\$'000	HK\$'000	HK\$'000
Exchange rate of Japanese Yen against Hong Kong dollars				
Highest	HK\$0.0776:JPY1	(14,154)	(26,776)	(2,772)
Lowest	HK\$0.0617:JPY1	17,601	8,264	5,760

Because a number of assumptions have been applied, the above sensitivity analysis is for illustrative purposes only.

Breakeven analysis

For the year ended 31 March 2015, it is estimated that, holding all other variables constant, with an increase in (i) airfare costs by approximately 9.6%; (ii) hotel tariffs by approximately

FINANCIAL INFORMATION

25.0%; (iii) land operator costs by approximately 45.0%; or (iv) cost of sales denominated in Japanese Yen by approximately 14.0%, our Group would achieve breakeven.

For the year ended 31 March 2016, it is estimated that, holding all other variables constant, with an increase in (i) airfare costs by approximately 14.5%; (ii) hotel tariffs by approximately 33.7%; (iii) land operator costs by approximately 86.6%; or (iv) cost of sales denominated in Japanese Yen by approximately 19.7%, our Group would achieve breakeven.

For the three months ended 30 June 2016, it is estimated that, holding all other variables constant, with a decrease in (i) airfare costs by approximately 29.0%; (ii) hotel tariffs by approximately 36.8%; (iii) land operator costs by approximately 110.9%; or (iv) cost of sales denominated in Japanese Yen by approximately 21.3%, our Group would achieve breakeven.

FINANCIAL RISK MANAGEMENT

Our Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk. Our Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our Group's financial performance.

For details, please refer to note 3 "Financial risk management" to the Accountant's Report. Please also refer to our Group's policy on foreign exchange risk control disclosed in "Business — Internal control and risk management — Foreign exchange risk control".

UNAUDITED PRO FORMA COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma combined net tangible assets of our Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 30 June 2016. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group had the Share Offer been completed as at 30 June 2016, or at any future date.

	Audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2016 ^(Note 1)	Estimated net proceeds from the Share Offer ^(Note 2)	Unaudited pro forma combined net tangible assets	Unaudited pro forma combined net tangible assets per Share ^(Note 3)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
Based on the Offer Price of HK\$0.8 per Offer Share	<u>52,837</u>	<u>66,885</u>	<u>119,722</u>	<u>0.30</u>
Based on the Offer Price of HK\$0.4 per Offer Share	<u>52,837</u>	<u>28,085</u>	<u>80,922</u>	<u>0.20</u>

Notes:

- (1) The balances represent the audited combined net tangible assets of our Group as at 30 June 2016 as extracted from the Accountant's Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Share Offer are based on the minimum and maximum Offer Price of HK\$0.40 and HK\$0.80 per Share respectively, after deduction of estimated Listing expenses payable by our Company.
- (3) The unaudited pro forma combined net tangible assets per Share are determined after the adjustments as described in notes 1 and 2 above and on the basis that 400,000,000 Shares are issued and outstanding as set out in “Share Capital”.
- (4) The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 30 June 2016).

DIVIDEND

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to our Directors’ decision and will depend on factors such as our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Currently, we do not have any dividend policy, nor do we have any predetermined dividend distribution ratio.

During the year ended 31 March 2015, dividends of approximately HK\$7.9 million and HK\$2.0 million were declared and paid by Worldwide Package and PTHK to their then shareholders respectively. Save for the aforesaid, our Group did not declare and/or paid any other dividend during the Track Record Period.

DISTRIBUTABLE RESERVES

Under the Companies Law, we may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business. Our Company was incorporated on 8 June 2016 and there was no distributable reserve as at 31 March 2015, 31 March 2016 and 30 June 2016 respectively.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

POST BALANCE SHEET EVENTS

Please refer to “Summary — Recent developments and material adverse change” and note 30 “Subsequent events” to the Accountant’s Report.

FINANCIAL INFORMATION

RECENT DEVELOPMENTS AND MATERIAL ADVERSE CHANGE

For the recent developments and material adverse change of our business subsequent to the Track Record Period and up to the date of this prospectus, please refer to “Summary — Recent developments and material adverse change”.