
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We aim to deliver the best travel experience and customer satisfaction and become the favourite travel agent in Hong Kong. In reaching our business objective, we plan to further enhance our brand recognition and awareness, strengthen our customer relationship management efforts to increase customer loyalty, increase our market share by continuously developing new products and services, strengthen our sales network, improve our information systems and expand our staff team. Please refer to the “Business — Strategies” for a detailed description of our future plans.

In recent years, the number of travellers using FIT products is significantly increasing because it creates greater flexibility so that travellers can tailor make their favourable itineraries depending on their interests and cost budgets. The percentage of travellers bound from Hong Kong using FIT products increased to approximately 81.0% in 2015 from approximately 71.0% in 2011. Since our Group has been focusing on the sales of outbound package tours, we have not been capturing the growth of this market. Further, the increasing use of Internet for travel booking and the rapid emergence of online agencies and booking platforms of airlines and hotels pose threat to, and intensify competition within, the travel service industry, especially to traditional offline travel agents, including our Group.

In view of the aforesaid industry outlook, in order to capture the industry growth and to maintain our market position amid the intensifying industry competition, we are revamping our website to incorporate an integrated online sales platform with various modules including package tours, FIT products and ancillary travel related products and services, membership system, and payment gateway by stages. We will continue to improve our website and online sales platform to provide up-to-date travel information and simplified purchase and booking procedures respectively. Customers will be able to make purchase and complete payment of various travel products online with real time confirmation. We will increase our offering of FIT products on our online sales platform to cater for the needs of FITs so as to capture the growth of the FIT market. We will also offer certain hotel bookings exclusively to increase the attractiveness of our products. Given our online sales platform will be able to offer such wide range of products (i.e. package tours, FIT products and ancillary travel related products and services), it will satisfy most of the travel needs of our customers as a one-stop shop. This will distinguish us from most of the online agencies and booking platforms of airlines and hotels which generally only offer air ticket and/or hotel booking.

In view of the increasing use of Internet for travel booking and in order to correspond with the introduction of our integrated online sales platform, we will boost our marketing efforts, especially on digital marketing. We have launched a two-year digital marketing campaign in August 2016 with an aim to digitally transforming our Group into a leader in local travel e-commerce. Through advertising on social media and search engine marketing, we aim to increase online channel presence and online traffic and drive online inquiry to our product offerings. We plan to do so by building promotions for interested groups, developing special packages and tours and building fan following from interested groups. Digital marketing will allow us to deliver our ad messages directly to targeted group of potential customers and effectively push new promotions. Our plan involves continuously tracking implementation and reviewing performance. We will use accumulated data to develop look-a-like audience and to retarget previously interest users with new attractive offers.

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In addition, we will also enhance our customer relationship management efforts in order to improve length of customer cycle and build loyal customer base. We will analyse the data to be accumulated from the digital marketing campaign to understand our customers' behaviour in depth, including resell patterns, product preferences, and customer lifecycles. We may also consider to adopt an enhanced customer relationship management system which allows us to make quantifiable measurement, synchronise business dealings and build an optimal website experience. Concurrently, we will continuously monitor and improve our membership system, which may include expanding the redemption scheme to offer additional benefits, souvenirs or gift vouchers.

In order to implement our aforesaid strategies, we plan to recruit one to two experienced team member(s) for each of our marketing and information technology functions. We also plan to recruit one to two accounting staff to support our additional financial reporting requirements after the Listing. In addition, we will continue to upgrade or replace our information systems to improve our operational efficiency in order for us to be able to respond to market changes expeditiously in view of the intensifying market competition.

USE OF PROCEEDS

We estimate that the net proceeds from the Share Offer (after deducting underwriting commissions and estimated expenses payable by us in connection with the Share Offer), assuming an Offer Price of HK\$0.60 per Share (being the mid-point of the indicative Offer Price range), will be approximately HK\$38.4 million. We currently intend to apply the net proceeds in the following manner:

- approximately 44.5%, or HK\$17.1 million, to be used to promote our brand recognition and awareness over the years ending 31 March 2017, 2018 and 2019, among which, approximately 23.2% or HK\$8.9 million will be used for digital marketing including advertisements on Internet and search engine marketing; and approximately 21.4% or HK\$8.2 million will be used for marketing campaigns such as television travel programmes (including online television) and film sponsorship and other conventional offline media advertisements such as newspapers, television, public transportation, and travel and lifestyle magazines;
- approximately 24.9%, or HK\$9.6 million, to be used to strengthen and enhance our sales channels, among which, approximately 10.4% or HK\$4.0 million will be used for refurbishment of our existing branches to give a unified and new image across all our branches; approximately 4.4%, or HK\$1.7 million will be used for setting up of a new branch when strategic location is identified; and approximately 10.0% or HK\$3.9 million will be used for settlement of the costs for the development and enhancement of our online sales platform;
- approximately 20.6%, or HK\$7.9 million, to be used to improve our operational efficiency, among which, approximately 16.9%, or HK\$6.5 million will be used for improvement of our information systems including upgrading or replacement of our hotlines telephone system in the year ending 31 March 2017 and our accounting system and tour operating system during the two years ending 31 March 2018 and 2019; and approximately 3.7% or HK\$1.4 million will be used to renovate our offices to improve working environment and to promote efficient use of office space; and

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- approximately 10.0%, or HK\$3.8 million, to be used for our general corporate and working capital purposes.

The following table sets forth a summary of the allocation of net proceeds from the Share Offer for the periods indicated:

	From the Latest Practicable Date		Six months ending			Total
	to 31 March 2017	30 September 2017	31 March 2018	30 September 2018	31 March 2019	
	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	<i>HK\$' million</i>	
Promoting our brand recognition and awareness	1.1	3.8	3.8	4.2	4.2	17.1
Strengthening and enhancing our sales channels	2.5	3.5	1.3	1.2	1.1	9.6
Improving our operational efficiency	1.2	1.7	1.6	1.7	1.7	7.9
	<u>4.8</u>	<u>9.0</u>	<u>6.7</u>	<u>7.1</u>	<u>7.0</u>	<u>34.6</u>
General corporate and working capital purposes						<u>3.8</u>
Total						<u><u>38.4</u></u>

If the Offer Price is set at the high-end of the indicative Offer Price range, being HK\$0.8, the net proceeds of the Share Offer, will be approximately HK\$57.8 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis.

If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.4, the net proceeds of the Share Offer, will be approximately HK\$19.0 million. In such case, we intend to reduce the allocation of such net proceeds for the above purposes on a pro-rata basis.

To the extent that the net proceeds are not immediately required for or applied to the above purposes, we may hold such funds in short-term deposits with licensed banks and authorised financial institutions in Hong Kong for so long as it is in our best interests.

We will make an appropriate announcement and comply with the requirements of the GEM Listing Rules if there is any change to the above proposed use of proceeds.

IMPLEMENTATION PLANS

We set out below the implementation plans which our Directors intend to carry out. The implementation plans are based on a number of bases and assumptions set out in “— Implementation plans — Bases and assumptions”. The bases and assumptions are subject to uncertainties and factors beyond our control, particularly the risk factors set out in “Risk Factors”. No assurance can be given that our business objectives will be achieved or our plans will be implemented as set out in the implementation plans or at all.

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For the period from the Latest Practicable Date to 31 March 2017

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| Promoting our brand recognition and awareness | <ul style="list-style-type: none">● placing of advertisements on newspapers, television, travel and lifestyle magazines, public transportation and the Internet● sponsoring of television travel programmes and films● implementing and monitoring a digital marketing campaign in support of our business, so as to build a healthy online presence● organising travel seminars and participating in tourism fairs● cooperating with credit card companies and banks to offer promotion and discounts on our products and services |
| Strengthening our customer relationship management efforts | <ul style="list-style-type: none">● reviewing customer's feedback and monitoring members' movements and redemption activities on our existing membership system |
| Developing new products and services | <ul style="list-style-type: none">● researching for new destinations (e.g. points of attraction) or new travel elements (e.g. special local events) for our existing tours |
| Strengthening and enhancing our sales channels | <ul style="list-style-type: none">● revamping our website and incorporating an integrated online sales platform with package tours, tickets, and hotels modules and online membership system |
| Increasing our operational efficiency by improving our information systems | <ul style="list-style-type: none">● upgrading or replacing our hotlines telephone system |
| Expanding our staff team | <ul style="list-style-type: none">● recruiting a general manager in the first quarter of 2017 to oversee our overall business operations after the Listing● recruiting one to two experienced IT specialist(s) to support our new website and online sales platform in the first quarter of 2017 when the integrated online sales platform is substantially built up |

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- recruiting one to two accounting officer(s) in the first quarter of 2017 after the Listing to support our chief financial officer to meet our financial reporting requirements after Listing
- recruiting one to two advertising officer(s) to plan and manage our advertising campaigns in the first quarter of 2017

For the six months from 1 April 2017 to 30 September 2017

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| Promoting our brand recognition and awareness | <ul style="list-style-type: none">● placing of advertisements on newspapers, television, travel and lifestyle magazines, public transportation and the Internet● sponsoring of television travel programmes and films● implementing and monitoring digital marketing campaigns in support of our business, so as to build a healthy online presence● organising travel seminars and participating in tourism fairs● cooperating with credit card companies and banks to offer promotion and discounts on our products and services |
| Strengthening our customer relationship management efforts | <ul style="list-style-type: none">● reviewing customer's feedback and monitoring members' movements and redemption activities on our existing membership system● evaluating and improving our membership system such as expanding the redemption scheme to offer additional benefits, souvenirs and gift vouchers● adopting a customer relationship management system to conduct customer data analysis |

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| Developing new products and services | <ul style="list-style-type: none">● researching for new destinations (e.g. points of attraction) or new travel elements (e.g. special local events) for our existing tours● developing one to two new destination(s) for our package tours |
| Strengthening and enhancing our sales channels | <ul style="list-style-type: none">● opening an additional branch in strategic location● incorporating “ticket plus hotel” FIT packages module, enhancement of existing modules and more sales and marketing functions including online chat function into the integrated online sales platform |
| Increasing our operational efficiency by improving our information systems | <ul style="list-style-type: none">● commence upgrading or replacing our existing accounting system and sourcing for service providers to upgrade or replace our existing tour operating system with an integrated management information functions |

For the six months from 1 October 2017 to 31 March 2018

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| Promoting our brand recognition awareness | <ul style="list-style-type: none">● placing of advertisements on newspapers, television, travel and lifestyle magazines, public transportation and the Internet● sponsoring of television travel programmes and films● implementing and monitoring digital marketing campaigns in support of our business, so as to build a healthy online presence● organising travel seminars and participating in tourism fairs● cooperating with credit card companies and banks to offer promotion and discounts on our products and services |
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| Strengthening our customer relationship management efforts | <ul style="list-style-type: none">● reviewing customer's feedback and monitoring members' movements and redemption activities on our existing membership system● analysing customer data to formulate sales and marketing action plans |
| Developing new products and services | <ul style="list-style-type: none">● researching for new destinations (e.g. points of attraction) or new travel elements (e.g. special local events) for our existing tours |
| Strengthening and enhancing our sales channels | <ul style="list-style-type: none">● refurbishment of one of our existing branches to give a unified and new image across all branches● evaluating and improving our website and online sales platform |
| Increasing our operational efficiency by improving our information systems and refurbishing our offices | <ul style="list-style-type: none">● renovating our offices to improve working environment and efficient use of office space● upgrading or replacing our existing accounting system and tour operating system with integrated management information functions |

For the six months from 1 April 2018 to 30 September 2018

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| Promoting our brand recognition and awareness | <ul style="list-style-type: none">● placing of advertisements on newspapers, television, travel and lifestyle magazines, public transportation and the Internet● sponsoring of television travel programmes and films● implementing and monitoring digital marketing campaigns in support of our business, so as to build a healthy online presence● organising travel seminars and participating in tourism fairs● cooperating with credit card companies and banks to offer promotion and discounts on our products and services |
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| Strengthening our customer relationship management efforts | <ul style="list-style-type: none">● reviewing customer's feedback and monitoring members' movements and redemption activities on our existing membership system● evaluating and improving our membership system such as expanding the redemption scheme to offer additional benefits, souvenirs and gift vouchers● analysing customer data to formulate sales and marketing action plans |
| Developing new products and services | <ul style="list-style-type: none">● researching for new destinations (e.g. points of attraction) or new travel elements (e.g. special local events) for our existing tours● developing one to two new destinations for our package tours |
| Strengthening and enhancing our sales channels | <ul style="list-style-type: none">● refurbishment of one of our existing branches to give a unified and new image across all branches● evaluating and improving our website and online sales platform |
| Increasing our operational efficiency by improving our information systems and refurbishing our offices | <ul style="list-style-type: none">● renovating our offices to improve working environment and efficient use of office space● upgrading or replacing our existing tour operating system with integrated management information functions |

For the six months from 1 October 2018 to 31 March 2019

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| Promoting our brand recognition and awareness | <ul style="list-style-type: none">● placing of advertisements on newspapers, television, travel and lifestyle magazines, public transportation and the Internet● sponsoring of television travel programmes and films● implementing and monitoring digital marketing campaigns in support of our business, so as to build a healthy online presence |
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	<ul style="list-style-type: none">• organising travel seminars and participating in tourism fairs• cooperating with credit card companies and banks to offer promotion and discounts on our products and services
Strengthening our customer relationship management efforts	<ul style="list-style-type: none">• reviewing customer's feedback and monitoring members' movements and redemption activities on our existing membership system• analysing customer data to formulate sales and marketing action plans
Developing new products and services	<ul style="list-style-type: none">• researching for new destinations (e.g. points of attraction) or new travel elements (e.g. special local events) for our existing tours
Strengthening and enhancing our sales channels	<ul style="list-style-type: none">• refurbishment of one of our existing branches to give a unified and new image across all branches• evaluating and improving our website and online sales platform
Increasing our operational efficiency by improving our information systems	<ul style="list-style-type: none">• evaluating and improving our new accounting system and tour management system

Bases and assumptions

Our implementation plans are based on the following general assumptions:

1. there will be no material changes in the existing political, social or economic conditions in Hong Kong and in other places where we operate or will operate our businesses;
2. there will not be material changes in the prospects of travel industry in Hong Kong and in other places for which our travel products are bound or used;
3. there will be no material disruption of our business operation as a result of any factors such as natural disasters and political protests;
4. we have sufficient financial resources to meet the necessary capital expenditure required for the implementation of our plans;
5. we are able to renew and obtain the necessary licences for our existing and future business operations;

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6. we will be able to retain our management team and recruit suitable staff for our expansion;
7. there will be no material changes in the taxation regime or rates of taxation applicable to our businesses; and
8. we will not be materially affected by the risk factors as set out in “Risk Factors”.

REASONS FOR THE LISTING AND THE SHARE OFFER

Commercial rationale for the Listing

Our Directors believe that the Listing is strategically critical to the long-term growth of our Group as it will help promote our brand awareness, strengthen our competitiveness, capture more business opportunities, enlarge the shareholder base of our Company, provide us additional avenues to raise capital in the long run, and ultimately lay a solid foundation and equip our Group for the long term development and growth.

Our Directors consider the listing status will enhance our Group’s corporate image and reputation as well as further strengthen our market position in the travel industry in Hong Kong. According to the CH Report, the reputation of a travel agent is one of the major considerations for Hong Kong travellers. The listing status will help advertise our Group to existing and potential customers and suppliers, and enhance our corporate profile and credibility with the public and business partners. In addition, our Directors are of the view that the Listing will also increase our bargaining power in negotiating contract terms with potential business partners. As a listed entity, customers and suppliers will have more confidence in the quality of our services, our financial strength and credibility, and transparency in operations and financial reporting. Our internal control and corporate governance practices will also be enhanced following the Listing. All of these in turn will strengthen our competitiveness, help expand our market share and drive our business performance and growth.

The listing status will help raise staff confidence. It will improve our ability to recruit, motivate and retain key management personnel so as to expediently and effectively capture any business opportunities that may arise. The Listing will enable us to offer an equity-based incentive programme (such as a share option scheme) to our employees that more directly correlates to their performance with our Group’s business. We would therefore be in a better position to motivate our employees with any incentive programmes that are closely aligned with the objective of creating value for our Shareholders.

Our Company will be able to diversify the risk of ownership among a larger group of Shareholders after the Listing, which is important as we continue to expand our business. Our Controlling Shareholders are not selling any Shares as part of the Share Offer, and currently have no intention to dispose of any Shares that he/she/it holds subsequent to the Share Offer and intend to enjoy the growth of our Group alongside our investors in the long run. In addition, to demonstrate their commitment to the long-term development of our Group, each of our Controlling Shareholders has voluntarily undertaken to the Sole Global Coordinator that for an additional 12 months commencing on the date on which the undertaking under Rule 13.16A(1)(b) of GEM Listing Rules expires, he/she/it shall remain as our controlling shareholder. For details, see “Substantial Shareholders — Undertakings”.

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Following the Listing, we will have access to the capital markets, providing us additional avenues for future fundraising through the issuance of equity and debt securities for business development in the long run. Equity financing does not involve recurring interest expense and the financing process is usually simpler and quicker than negotiating bank borrowings, and therefore would allow our Group to react promptly to market conditions and business opportunities. Further, our Directors believe that a listing status will allow us to gain leverage in obtaining bank financing with relatively more favourable terms. Therefore, the Listing will offer us more flexibility to finance our operation.

In summary, the Listing will help strengthen the competitiveness of our Group, offer us more flexibility to finance our operation so as to allow us to respond to business opportunities expeditiously and differentiating us from our private competitors, so as to be in a better position to seize business opportunities and securing our market position in the travel industry. Therefore, our Directors consider it is commercially justifiable to pursue the Listing.

Listing on GEM

Despite the fact that our Group is able to meet the minimum profit requirement for listing on the Main Board for the financial years ended 31 March 2014, 2015 and 2016, our Directors consider that it is more prudent to apply for a listing on GEM instead of the Main Board since our Group was only marginally able to meet the minimum profit requirement for listing on the Main Board for the year ended 31 March 2016. Moreover, our Group recorded deteriorating financial performance for the three months ended 30 June 2016 and was not expected to meet the Main Board minimum profit requirement for listing for the most recent financial year should the Track Record Period be shifted to include the year ending 31 March 2017.

Our capital requirements and reasons for the Share Offer

Despite our seemingly high level of cash and cash equivalents of approximately HK\$76.9 million as at 30 June 2016 as compared to 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), our Directors decided to maintain our existing cash on hand to support the working capital requirement of our daily operation, while the net proceeds from the Share Offer will help finance our development plans.

Our Directors consider it necessary to maintain a relatively higher level of liquidity to meet the prepayment requests of our suppliers from time to time, particularly during peak seasons. For instance, our trade deposits paid to suppliers at the end of the financial year ended 31 March 2015 increased by approximately HK\$12.5 million as compared to the beginning of the financial year, reaching to approximately HK\$25.5 million mainly as a result of deposits paid for air ticket reservations, theme park and railway tickets and hotel reservations for the upcoming package tours for the Easter holiday in early April 2015. As a result, our operating cash flow experienced significant fluctuation during the Track Record Period. Our net cash generated from operating activities for the year ended 31 March 2015 only amounted to approximately HK\$1.2 million.

Besides, airlines would occasionally launch ad hoc promotions or offer special fares to us. The airlines would request us to make full payment to reserve the seats in advance of receiving payments from our customers for such ad hoc seats. For instance, our largest airline supplier

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offered promotional fares for September and October 2016 for certain destinations in Japan. We were required to make full payment of the ticket fare of approximately HK\$8.4 million during late-July to early-August 2016, in contrast, we are not required to pay any deposit for block reservation to such supplier. In addition, following our discussion with such supplier to develop a regular route to a new destination in Japan, our airline supplier has proposed to operate scheduled charter flight to Komatsu, Japan initially between mid April and end of June 2017 with two departures per week. We are required to make full payments in advance and in one go. We propose to underwrite a substantial portion of the flight seats and thus it is expected that we will incur additional deposits payment for the underwritten flight seats of the new route for the new destination for the initial period.

More importantly, in view of the cyclical nature of the retail market, the fact that the travel industry is vulnerable to adversities, such as natural disasters, outbreak of contagious or infectious disease and travel-related accidents, the volatile nature of the exchange rate of Japanese Yen and the generally low net profit margin of our business as in line with the industry average, our Directors consider it is important for us to maintain a relatively high level of liquidity in order to be able to sustain over deteriorating market conditions and material adversities arising from time to time. In particular, our financial performance and liquidity position are very sensitive to fluctuation in the exchange rate of Japanese Yen as illustrated in the sensitivity and breakeven analyses set out in “Financial Information — Sensitivity and breakeven analyses”. The cash position of our Group was negatively correlated to the exchange rate of Japanese Yen. Our current high level of cash on hand is largely attributable to satisfactory results of operation during the past three financial years amid the depreciating trend of Japanese Yen since 2013. During 2010 to 2012 when the exchange rate of Japanese Yen reached its peak for the past 10 years, the cash position of our Group as at financial year-end dropped to as low as approximately HK\$20.2 million. Accordingly, our Directors consider it is crucial that we maintain sufficient working capital amid the appreciating trend of Japanese Yen.

In light of the foregoing and having considered that our annual cost of sales amounted to over HK\$360 million during the Track Record Period, our Directors consider that the amount of cash and cash equivalents as at 30 June 2016 is not excessive relatively to our scale of operation and our on-going funding requirements. Accordingly, our Directors consider it justifiable to maintain a relatively high level of cash on hand to support the working capital requirement of our daily operation, while the net proceeds from the Share Offer will be used to fund our development plans.

The Listing expenses represent approximately 27.7% to 52.4% of the gross proceeds of the Share Offer based on the indicative Offer Price range. It should be emphasised that we did not pursue the Listing solely for the net proceeds from the Share Offer. Instead, the Listing provides a jump board that enables our Group to achieve long-term benefits for the continuing development of our Group. The ratio of Listing expenses to gross proceeds of approximately 36.0% (based on mid-point of the indicative Offer Price range) is within the range of those of newly listed companies on GEM since 1 January 2016 up to the Latest Practicable Date. In light of the foregoing, our Directors consider the Listing exercise as a whole to be cost effective and efficient for supporting our Group’s expansion.

Having considered the aforesaid, our Directors consider, and the Sole Sponsor concurs, that it is strategically and commercially justifiable and in the interests of our Company and our Shareholders as a whole to pursue the Listing and the Share Offer.