

**OVERVIEW**

We are a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada, founded in 1976 and with more than 40 years of operating history. Our principal businesses include (i) air ticket distribution in which we distribute air tickets to travel agents and travelers and issue air tickets directly on behalf of contracted airlines; (ii) travel business process management in which we provide mid-office and back-office support services to travel agents; and (iii) travel products and services in which we design, develop and sell package tours, as well as other travel products and services to travel agents and travelers.

We are a major player within the air ticket midstream market in Canada. According to the CIC Report, we ranked top three with a market share of approximately 31.3% in the air ticket consolidation market in Canada, in terms of sales volume in 2017. We are one of the IATA accredited travel agents in Canada and one of the ARC accredited travel agents in the United States, which qualifies us to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. As of the Latest Practicable Date, we had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China. Our sales performance has been consistently strong throughout the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, we sold approximately 606,000, 861,000 and 949,000 air tickets, respectively, amounted to approximately HK\$3,095.1 million, HK\$3,755.0 million and HK\$4,018.9 million in terms of gross sales proceeds, respectively.

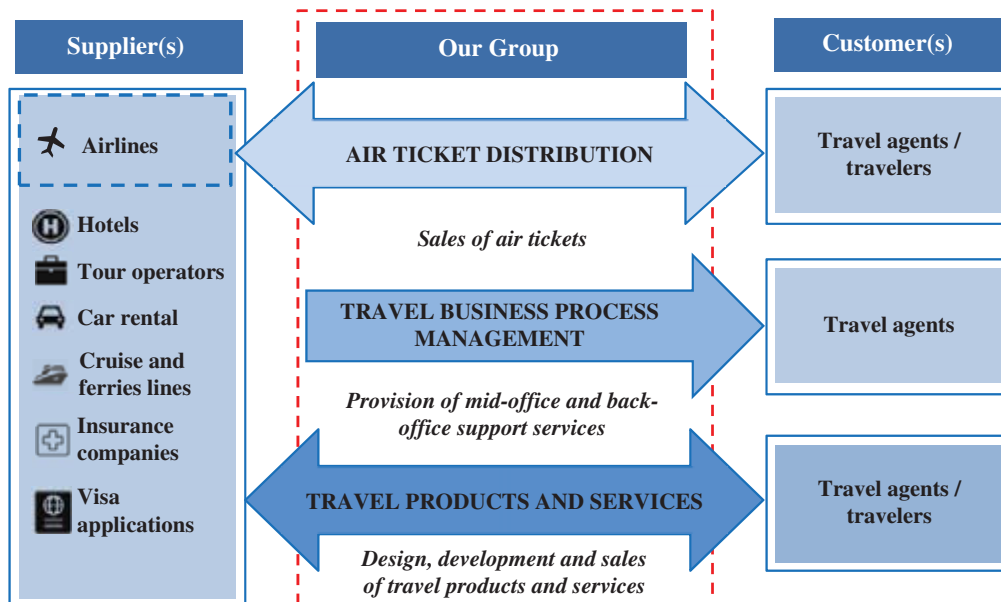
We are one of the top travel agents that provide travel business process management in Canada. According to the CIC Report, we ranked top three with a market share of approximately 14.9% in travel business process management market in Canada, in terms of service revenue in 2017. We launched the provision of travel business process management in 2007 and have gradually expanded to offer a range of travel business process management services including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development, travel licensing and compliance and other administrative matters. We believe travel business process management providers like us play a pivotal role in providing travel agents the option to run their non-core business processes cost effectively and allow travel agents to focus on their core competencies. As of the Latest Practicable Date, we had been providing travel business process management to 10 travel agents which include some of the well-known global brands.

We also offer package tours and other travel products and services to travel agents and travelers. Our package tours can be further classified as group travel tours and join-in coach tours, normally comprising pre-arranged flights or coach bus, hotel accommodations, local transportations and arrangements for sight-seeing and other activities. Other travel products and services mainly include customized tours, flight plus hotel packages, hotel accommodations, admission tickets to attractions, car rental, travel insurance and visa application. Through 40 years of operation, we have developed a comprehensive range of package tours to more than 200 cities in over 40 countries in Asia, Europe, Middle East, North America and South America. We believe

our diversified product and service offerings allow us to utilize internal resources more efficiently and address a variety of needs of various participants in the travel and tourism industry in Canada.

## OUR BUSINESS MODEL

Our business model can be simplified into three business segments: (i) air ticket distribution; (ii) travel business process management; and (iii) travel products and services as illustrated in the diagram below:



## COMPETITIVE STRENGTHS

**Our synergistic business segments address a variety of evolving needs of travel providers, travel agents and travelers**

Our business model comprises three distinct but synergistic business segments: air ticket distribution, travel business process management and travel products and services, which we believe is a key differentiating factor that distinguishes us from other traditional travel agents. Through developing different business segments, we believe that we are able to utilize our resources more efficiently and address the evolving needs of various participants in the travel and tourism industry value chain.

Our history can be traced back to 1976 when our founders commenced the air ticket distribution business in Toronto, Canada, by selling low-cost air tickets to college students seeking to travel home to Asia. Since then, we have grown from being a retail air ticket reseller to one of the top air ticket consolidators in Canada. According to the CIC Report, we ranked top three with a market share of approximately 31.3% in the air ticket consolidation market in Canada, in terms of sales volume in 2017. We are one of the IATA accredited travel agents in Canada and one of the ARC accredited travel agents in the United States, which qualifies us to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. We believe our strong distribution capabilities and consistent high sales achievements allow us to secure a wide

selection of private fares from various airlines and boost our competitiveness. As of the Latest Practicable Date, we had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China. For the details of our air ticket distribution business segment, please refer to the paragraph headed “Products and Services” — (i) Air ticket distribution” in this section.

We believe we are one of the early-movers among travel agents in Canada to provide travel products and services to Asia in 1978. Through more than 40 years of operation, we have developed a comprehensive range of package tours including group travel tours and join-in coach tours in English, French or Chinese, to more than 200 cities in over 40 countries in Asia, Europe, Middle East, North America and South America. We also offer other travel products and services including customized tours, flight plus hotel packages, hotel accommodations booking, admission tickets to attractions, car rental, travel insurance and visa application. We believe our diversified travel product and service offerings coupled with our ticketing capability and ability to obtain a wide selection of private fares provide travelers a greater control over trip planning by allowing them to compare a multitude of travel options, obtain a desired itinerary at a competitive price, purchase ancillaries directly after the core booking has been made and add features at later stages in the travel process. For the details of our travel products and services business segment, please refer to the paragraph headed “Products and Services — (iii) Travel products and services” in this section.

Leveraging our long established industry expertise and technical know-how, we launched the provision of travel business process management in 2007. According the CIC Report, the Internet heralded the rise of the online travel agents, where a number of players emerged, fueling stiff competition on the “best price guarantee” of travel products and services offered by them. To reduce operational costs, some online travel agents may outsource certain of their mid- and back-office business processes in order to focus on their core competencies. We believe we are able to assist these travel agents in reducing their operational costs, increasing their flexibility, and enhancing operational efficiency by offering a single point of contact for a range of travel business process management services including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance and other administrative matters, and thereby allowing them to focus on their core competencies. Since 2007, we have gradually grown and expanded our market share to become one of the top travel business process management providers in Canada. According to the CIC Report, we ranked top three with a market share of approximately 14.9% in the travel business process management market in Canada, in terms of sales revenue in 2017. As of the Latest Practicable Date, we had been providing travel business process management to 10 travel agents which include some of the well-known global brands. For the details of our travel business process management business segment, please refer to the paragraph headed “Products and Services — (ii) Travel business process management” in this section.

#### **We have well-established business relationships with travel providers and travel agents**

We have established long-term business relationships with both travel providers and travel agents, some of whom we have been serving for over 30 years. We believe such relationships cannot be easily replicated by others, which have enabled us and will continue to differentiate us from our competitors. Our ability to obtain a wide selection of private fares from top airlines

allows us to establish pricing advantage, which is critical to our business. We have maintained strong and long-standing relationships with several major airlines, who are also our five largest suppliers during the Track Record Period, including top airlines based in Canada, the United States, Hong Kong and China. As of the Latest Practicable Date, our relationships with the five largest suppliers, which are all airlines, ranged from around 12 to 37 years. Such long-standing relationships are a testament of trust in our air ticket distribution capabilities by airlines and consistent high sales achievements deriving from our loyal customers.

We have a large and diversified customer base mainly consisting of more than 850 travel agents in Canada and the United States and travelers. Our five largest customers during the Track Record Period are travel agents, and as of the Latest Practicable Date, our relationships with our five largest customers ranged from around one to 15 years. We believe this is due to (i) our emphasis on and efforts in consistently delivering services at the highest possible level in an efficient and timely manner; (ii) our ability to obtain a wide selection of private fares from top airlines; (iii) our “partnership” approach through which we seek to establish and nurture long-term relationships with our customers; (iv) our continual efforts to expand our customer base; and (v) the value-adding nature of certain of our products and services. We are particularly proud of our long-standing relationship with our largest customer during the Track Record Period, one of the world’s top travel agents, which we have been supplying air tickets since 2003 and providing travel business process management since 2007. We believe that our well-established relationships with our major customers greatly enhance our reputation in the travel and tourism industry, hence increase our ability to attract new customers.

### **Our in-depth technical know-how and information technology capabilities served as a backbone for future growth**

Through more than 40 years of operating experience, we have developed domain expertise in each of our business segment and gained a deep understanding of the emerging trends, technologies and best practices in the travel and tourism industry in North America. We have built a solid information technology infrastructure comprising computer hardwares, operating systems, enterprise software application, data management and storage, networking and telecommunication platforms, and system integration services to support our daily operations. We also have extensive technical know-how in the travel and tourism industry. Our dedicated travel business process management team comprising 53 staff, most of whom are familiar with the mid- and back-office travel business processes and well-acquainted with different GDS, ticketing and communication skills for provision of travel business process management to our customers. Our travel technology services team possesses advanced skills and strong capabilities on (i) designing, installing and integrating of real-time interface to sync with different GDSs; (ii) developing software that supports shopping and booking platforms, data management and payment gateway of travel agents according to their business needs; (iii) website design; and (iv) cloud computing.

To adopt the continuing evolution of travel technologies, we continue to update our existing information technology infrastructure, develop new softwares/applications and add incremental features and functionality to enhance operational efficiency, including advanced algorithms, decision support and data analysis. During the Track Record Period, our travel technology services team has completed over 30 information technology projects including software upgrade for internal use and software development for certain customers, under the supervision of our director

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## BUSINESS

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of travel technology services team, Mr. Jason Kam On Ho, who has over 30 years of experience in technology software engineering and project management. Taken together, the depth and breadth of our technical know-how and information technology capabilities enable us to maintain competitive position in the travel and tourism industry by meeting the demands of our customers for speed, flexibility and convergence.

### **We have an experienced management team with a long and proven track record in the travel and tourism industry in Canada**

We have a dedicated and experienced management team with a deep understanding of the travel and tourism industry in North America. Our senior management team has significant experience and is committed to improving and maintaining operational excellence by utilizing their extensive knowledge of the travel and tourism industry. Our founder and chairperson, Mrs. Tsang, who founded Tour East Canada in 1976 and has more than 40 years of management and operating experience. Our chief executive officer, Ms. Tsu, who has more than 30 years experience in the travel and tourism industry. Mrs. Tsang and Ms. Tsu have together led our Company to become the leader in the air ticketing and travel business process management market in Canada. Their vision and insight into the travel and tourism industry has significantly contributed to our growth.

Our senior management team is supported by a skilled, diverse and motivated workforce, comprised of approximately 139 employees as of December 31, 2017. By investing in training and skills development for our employees, we seek to develop leaders with broad knowledge of our Company, the travel and tourism industry, travel technologies and customer-specific needs. We also hire externally as needed to bring in new expertise. Our deep industry and operating experience combined with the fresh perspective and insight of new hires across our management team creates a solid foundation for driving our business to success, profitability and industry leadership.

### **BUSINESS STRATEGIES**

Our principal business objective is to strengthen our position as an well-established air ticket consolidator, travel business process management provider and travel products and services provider in North America and create long-term shareholder value. We intend to achieve our business objective by continuing to expand our market share in the travel and tourism industry in Canada and the United States, further strengthen our manpower and financial resources for business operations and upgrade our information technology systems to enhance operational efficiency and access to potential customers. The total capital expenditure after listing for the three years ending December 31, 2020 is expected to be approximately HK\$33.0 million, which mainly include infrastructure of IT system, computer software and leasehold improvement for our office.

### **Increase our market share in the respective business segments by expanding our customer base**

#### ***Air Ticket Distribution***

We intend to build on our existing track record and growing reputation to gain additional market share in the air ticket midstream industry in Canada. We will continue to seek for business

opportunities to scale our operations vertically and/or horizontally. According to the CIC Report, there are more than 2,000 and 5,000 travel agencies in Canada and in the United States, respectively, out of which over 850 are our existing customers. As such, we believe there is still plenty room for our air ticket distribution business to grow. We plan to expand our business development team to focus on developing ethnic travel agencies and travel management companies in Canada. Gross sales proceeds of air ticket distribution segment generated from ethnic agencies accounted for approximately 31.2%, 21.8% and 29.0% of the total gross sales proceeds of air ticket distribution segment for the years ended December 31, 2015, 2016 and 2017, respectively. For the ethnic travel agents who are not able to establish direct relationships with airline suppliers, without online booking platforms and/or lack of staff with language capabilities, we are able to provide (i) a wide selection of air tickets for various destinations at competitive prices; (ii) booking platform integrated with three GDSs; and (iii) travel technologies to support and improve their efficiency in serving their clients and earn better compensation for themselves. According to the CIC Report, Canada is a multicultural society as well as one of the top immigration destinations for Chinese, Filipino and Indian, with nearly 20% of the total population are foreign-born. Due to the growing ethnic population in Canada and increasing ethnic travel, ethnic travel agencies has growing importance in serving foreign-born individuals who are part of particular ethnic groups traveling to and from their native country to visit family or friends. In terms of shopping for flights, most of the ethnic travelers' priority is price, and often they have no definite travel date, therefore ethnic travel agents tend to spend most of the time searching, proposing and negotiating for the best combination of travel date/price to fulfill their clients' needs. Ethnic travel agencies have a high level of manual activities for booking, ticketing, issuing, invoicing, collecting and payment processes due to the lack of expertise to deal effectively with the evolving travel technologies. We plan to first roll out tailor-made booking platforms and mobile booking applications in simplified and traditional Chinese and set up customer services for Mandarin and Cantonese speaking travel agents to support the operational needs of new booking platforms.

We will also explore business cooperation opportunities with existing and/or new travel management companies. Travel management companies specialize in serving the travel needs of business and corporate clients. Currently, we are providing travel business process management to certain travel management companies but not supplying air tickets to them. We believe that we will be able to leverage our existing relationships, positive brand reputation, solid operating platform and ability to obtain a wide selection of private fares with major airlines to cross-sell our air ticket distribution business to existing travel management company customers and generate additional revenue. For our horizontal growth, we plan to expand geographically in Canada. As of the Latest Practicable Date, we had regional offices in Montreal, Calgary and Vancouver, covering the provinces of Québec, Alberta and BC in Canada. We are considering to set up two additional regional offices in Winnipeg and Halifax to cover the provinces of Manitoba and Nova Scotia, respectively and employ qualified personnel to carry out business development activities to attract new customers including but not limited to ethnic travel agencies and travel management companies. We have not formulated any detailed plans nor identify any locations relating to our regional expansion. However, we would like to earmark a certain sum of the net proceeds of the Share Offer to prepare for any attractive opportunities that may be presented to us from time to time.

In addition, to attract more travelers, we plan to upgrade our existing website to include online air ticket booking function and develop mobile booking applications. According to the CIC Report, increasing online travel shopping opens a new customer base which travel agencies can easily access by establishing online booking platforms. Currently, travelers can only book air tickets at or by calling our retail branches, as such, we have fairly limited access to travelers. We believe the online booking platforms will not only be a new revenue source but also a potential cost reduction for our air ticket distribution to travelers.

#### ***Travel Business Process Management***

We believe that we are in the early stage of penetrating a large and growing travel business process management market. According to the CIC Report, the accelerated pace of change in both, the online travel agencies sector and leading-edge travel technologies, has been driving travel agents to outsource more non-core business processes and focus on their core competencies. It is expected the travel business process management market to reach CAD52.1 million in Canada with a CAGR of 10.2% and USD574.6 million in the United States with CAGR of 5.4% in the United States by 2022, respectively, according to the CIC Report. As of the Latest Practicable Date, we had been providing travel business process management to 10 travel agents in Canada and the United States, who we obtained mainly through referrals from our established supplier base. We plan to hire dedicated business development staff to conduct targeted sales and marketing activities through various marketing channels including actively participating or sponsoring industry trade fairs and exhibitions. We will continue to target travel agents that share similar profile and market positioning as our existing customers by initiating our sales effort in a manner designed to strengthen, encourage and accelerate long-term relationship building. In developing these relationships, our primary focus will be to continue to provide value-added, complex and integrated travel business process management solutions to travel agents in Canada and the United States.

Furthermore, we believe our emphasis on and efforts in consistently delivering travel business process management services at the highest possible level in a timely manner is important to our customers. Our service revenue generated from travel business process management business depending on the scope of services and level of services such as time cost incurred, transaction volume and labor cost. As such, it is important for us to measure the productivity of our service delivery team accurately, effectively and timely. We plan to acquire softwares for service level management for productivity management and measurement. We believe these tools will help us to optimize internal resources, assess the overall efficiency, and enhance our competitiveness.

#### **Upgrade our information technology system and continue to focus on operational efficiency**

We believe that our strong in-house information technology capabilities have been crucial for establishing our leading position in the travel and tourism industry in Canada and allowed us to offer the most efficient and effective solutions to our customers. As we expand our scale of operations, we plan to continue to focus on operational efficiency through upgrading our existing information technology infrastructure including data storage, electronic documentation, cloud based backup storage, communication technology network, computer systems and information security to support the flow, storage, processing and analysis of our operating and financial data.

We plan to replace our existing e-ITS system, which includes functions such as ticket sales and invoice, record maintenance, interface control, accounting and management reports, with an advanced enterprise resource planning (“ERP”) system. ERP system is an integrated computer-based yield management tool to store, analyze flight data, passenger data and booking pattern, which allows us to determine pricing, thereby optimizing profits. The new ERP system will provide direct links to the GDS, which allows us to gather and monitor sales data on a real-time basis. It will also enable us to (i) rapidly and efficiently retrieve and analyze our operational data and information including sales, information and financial data; (ii) manage operations of regional offices and retail branches, human resources, finance and cost control of our entire operation; and (iii) provide a better insight into our performance and make informed business decision and planning. The new ERP system will be tailor-made to the specification to meet the needs of our Group. We expect this upgrade will provide us with an ideal tool for better internal communication and efficient management, an excellent source of statistical data for our business strategy analysis, and a solid foundation for future business development.

### **Enhance our brand recognition and awareness**

We believe our reputation as a long-established air ticket consolidator, travel business process management provider and travel products and services provider is vital to our success. We intend to maintain our reputation and brand recognition through continuous promotion of our brand. We will continue to implement marketing initiatives including placing advertisements on both local and national Canadian newspapers and commercials on various television and radio channels, providing sponsorship to selected events by providing cash prizes, air tickets and/or hotel accommodation on a complimentary basis as well as participating in industry trade conference and organizing travel shows regularly to promote our products and services to potential customers.

In particular, with the increasing use of Internet for travel shopping and booking and in order to correspond with the launch of online booking platform, we will boost our digital marketing efforts. Through advertising on social media and search engine marketing, we aim to increase our online channel presence to reach out to a wider spectrum of travelers with links to our website where they can conveniently view and book our travel products and services. The digital marketing campaign will also enable us to gather data on travelers’ behavior and interests as well as other useful information so that we will be able to analyze the relevant data and target our marketing efforts to specific interests groups and in turn promote our travel products and services effectively.

## **PRODUCTS AND SERVICES**

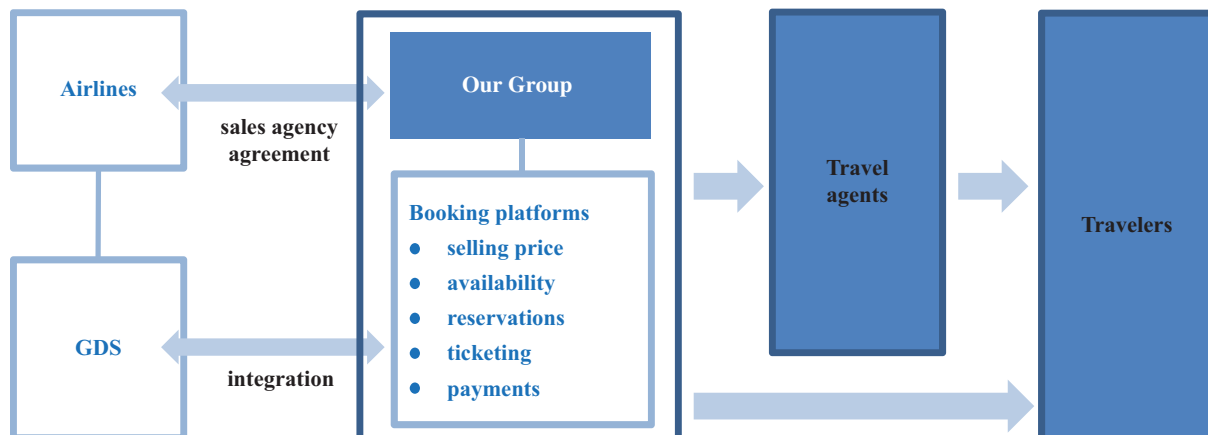
### **(i) Air Ticket Distribution**

We operate as an air ticket consolidator to distribute and issue air tickets on behalf of contracted airlines. The air ticketing market typically involves airlines as the upstream players who may sell air tickets (i) directly through airline websites, mobile channels, call centers or tickets’ offices or (ii) indirectly through midstream intermediaries such as online and offline travel agents, travel management companies or air ticket consolidators like us, and the downstream travelers can book air tickets either from airlines directly or from travel agents and travel

management companies. Air ticket consolidators generally do not sell the air tickets directly to travelers, but distribute them through online and offline travel agents. According to the CIC Report, due to the highly perishable nature of airline seats as they cannot be sold after a specific point in time (i.e. departure of a flight), predicting demand and maximizing occupancy rate are critical for an airline. A better yield management could minimize wasted inventory, increase customer base and save cost for its distribution channel. As a result, airlines try out different permutations of channel/revenue mix to maximize their yields and minimize costs. Air ticket consolidation was devised by airlines as a yield management tool to help airlines to achieve the most revenue possible from the sales of airline seats in a fluctuating market. Over the course of time, air ticket consolidators like us have become a reliable distribution channel where airlines can negotiate annual contracts to sell private fares, establish revenue targets and tightly control air ticket sales through a specific kind of booking class, and a valuable supplier partner for travel agents. For details of air ticketing industry, please refer to the section headed “Industry Overview — Air Ticketing Market in Canada and the U.S.” in this prospectus.

We commenced the air ticket distribution business in Toronto in 1976, by selling low-cost air tickets to college students seeking to travel home to Asia. Since then, we have grown from being a retail air ticket reseller to one of the top air ticket consolidators in Canada. As an IATA and ARC accredited travel agent with over 40 years of experience in the air ticketing industry, we play a valuable role as an air ticket consolidator. On the one hand, leveraging our large and diversified customer base mainly consisting of more than 850 travel agents in Canada and the United States and travelers, we save airlines from the hurdles of dealing with such large number of travel agents and assist them to expand distribution reach of air tickets to more travelers hence reduce their operating and selling costs. On the other hand, we provide a wide selection of air tickets for various destinations from major airlines at competitive prices and other value-added services to travel agents, which support and improve travel agents’ efficiency in serving their clients and earn better compensation for themselves. During the Track Record Period, we have ticketing authority for more than 150 airlines, out of which over 50 airlines have entered into incentive commission arrangements with Tour East Canada and over 15 airlines have entered into incentive commission arrangements with Tour East New York. We have also secured private fare deals from around 70 airlines including top airlines based in Canada, the United States and China. For the details of incentive commission arrangement, please refer to the paragraph headed “Products and Services — (i) Air ticket distribution — Incentive commission arrangements from airlines” in this section.

Our service function is illustrated in the flowchart below:



***Access to Airfares***

We subscribe to three GDSs to access inventory, availability, scheduling, pricing, policies and rules of airlines. GDSs allow us to access these information by providing real-time links to airlines' databases and inventory management system. We also have access to all GDS participating travel providers, such as hotel groups, cruise lines and car rentals on the respective GDSs. The information shown on the GDSs can vary depending on the arrangements between travel providers and travel agents. For example, we are able to view private fares offered to us by certain airlines on the GDSs. Any changes of airfare information made by airlines will be updated instantaneously on the GDSs. We also receive first-hand news updates such as flash sale and limited offers on fares from airlines through emails from time to time. We generally book and issue air tickets from the GDSs, as such, we do not usually hold any air ticket inventory and are not subject to inventory risk. Occasionally, we purchase air tickets bundle from airlines directly in the event of promotion campaigns from airlines to take advantage of the special discounts.

***Booking***

Travel agents typically book air tickets through booking platforms which we have developed in-house, while travelers can only book air tickets through our retail branches. Travel agents are given passwords to log in to our booking platforms where they can utilize convenient features such as preferred airlines, fare types, classes, connections, origins and destinations filtering views, and selecting and booking the air tickets with us. They can also book air tickets by making calls to our head office and regional offices. To streamline the booking process, we have developed a network interface connecting our booking platform to three GDSs, which allows us to synchronize of flight information from GDSs to our booking platforms and issue air tickets. As such, our customers can view the updated flight information of airlines which is accessible by us continuously and will be able to make suggestions to their clients from a wide selections of flights when making an air ticket sale.

As a value-added service, we design, develop and host customized booking platforms with unique functions such as concurrent multiple content sourcing for fare optimization, auto-populated service fee based on origin and/or destination and order retrieval website services upon the request of travel agents. For example, we develop web-based business-to-business air booking platform for our customers to shop, book and issue air tickets. Such air booking platform may support concurrent searching from multiple fare sources, display consolidated flight itineraries according to the predefined selection criteria with commission optimization and provide a web service to retrieve invoice information after the ticket is issued.

We also receive group booking inquiries from travel agents from time to time. Based on the specific requirements of the itinerary, our air ticket sales team will approach our airline suppliers to obtain a number of price quotations for the travel agents' consideration. Once a price quote is agreed upon and the group booking request is confirmed, we will provide the airline supplier with the relevant passenger details to confirm the reservation.

***Pricing and payment***

The price of air tickets as presented on our booking platform to travel agents is determined on a cost-plus basis with reference to the market comparables, business scale of each customer,

transaction volume, sales commission offered by certain airline suppliers upon selling of air tickets which is directly deducted from the cost of air tickets, our sales performance and relationship with the particular customer. For the years ended December 31, 2015, 2016 and 2017, gross sales proceeds of the air ticket distribution generated from travel agents accounted for approximately 96.0%, 97.1% and 97.5% of our total gross sales proceeds of air ticket distribution segment, respectively. We generally require our customers to make a full payment at the time of booking. For details of pricing policy, please refer to the paragraph headed “Sales — Pricing, payment and refund” in this section.

Our air ticket sales team also proactively gathers market intelligence to draw comparisons with fares offered by our competitors, in order to ensure the price of air tickets that we offer to our customers remain competitive and attractive.

***Air ticket issuance and after sales services***

Once the reservation is confirmed, the passenger name record will be queued for ticketing with the respective GDS. An invoice and e-ticket will be generated and issued to our customers after the reservation is ticketed. The ticketing process is primarily automated, reducing the hassle of processing passenger name records and issuing ticket requests and minimizing the errors resulting from manual entry.

We also provide after sales services regarding involuntary changes caused by events beyond the passenger’s control, such as flight schedule changes, cancellations, or delays, free of charge. Any voluntary changes regarding the above may be subject to surcharges and/or penalty fees imposed by airlines and a handling fee charged by us.

***Incentive commission arrangements from airline suppliers***

We receive incentive commission for distributing air tickets on behalf of certain contracted airlines. Incentive commission is generally determined by tiered commission structure with reference to the level of value or volume of flown air tickets sold by us and period-to-period growth of our performance, subject to a maximum commission rate set by the respective airline suppliers. Performance targets set by some airline suppliers would also take into account of the geographical segments and the classes of flown air tickets. The tiered commission structure is retroactive which means the accelerated commission rate that we are able to achieve is applied to all flown air tickets sold within a certain period of time. A shortfall of or an additional flown air ticket sold by us could put us in a different commission rate tier, which might affect the amount of incentive commission received by us significantly. In the event that we fail to meet the minimum performance target as required by a particular airline supplier, we will not be entitled to any incentive commission from the airline supplier for the relevant period. For the years ended December 31, 2015, 2016 and 2017, we have received incentive commission of approximately HK\$45.9 million, HK\$57.9 million and HK\$54.6 million from airlines, respectively, representing approximately 61.0%, 61.0% and 58.8% of our revenue from air ticket distribution segment and approximately 33.7%, 37.8% and 35.5% of our total revenue, respectively. During the Track Record Period, over 50 airlines have entered into incentive commission arrangements with Tour East Canada, and over 15 airlines have entered into incentive commission arrangements with Tour East New York. For further details of the agreement with airline suppliers, please refer to the paragraph headed “Suppliers — Travel providers” in this section.

Incentive commission received from our five largest airline suppliers accounted for approximately 86.2%, 72.0% and 67.7% of the total incentive commission from airline suppliers for the years ended December 31, 2015, 2016 and 2017, respectively. The average rate for incentive commission from airline suppliers were approximately 1.5%, 1.5% and 1.4% for the years ended December 31, 2015, 2016 and 2017, respectively. The periodic minimum performance target under the incentive commission arrangements with our top five airline suppliers in 2015 represented an increase ranging up to approximately 129% over that in preceding year and it has further increased by a range up to approximately 85% in 2016. We have exceeded all the periodic minimum performance target of our five largest airline suppliers in 2015 and 2016. In 2017, some of our five largest airline suppliers increased certain periodic performance targets under the incentive commission arrangements by up to approximately 165% as compared to the corresponding period in the year ended December 31, 2016, and some of them altered the structure or mechanism of their incentive commission arrangements offered to us. For example, one of our five largest airline suppliers changed its performance target of overall flown air tickets to different segment flown since the second quarter in 2017. Another five largest airline supplier changed its performance target of overall flown air tickets to a scheme which took into account of, among others, classes of the flown air tickets and sectors target growth in 2017. As a result of the foregoing, it has become more challenging for our Group to meet every periodic performance targets and thus, we could meet certain but not all periodic performance targets set by our five largest airline suppliers in 2017. As such, our incentive commission received from our five largest airline suppliers decreased by approximately HK\$4.7 million from the year ended December 31, 2016 to the year ended December 31, 2017. For the risks associated with the incentive commission arrangements, please see section headed “Risk Factors — Risks Relating To Our Business — We recorded a decrease in the incentive commission from airline suppliers for the year ended December 31, 2017” in this prospectus.

As mentioned above, the performance targets of value or volume of flown air tickets sold by us and period-to-period growth set by airline suppliers may adjust periodically, depending on our performance of previous corresponding period. Due to our strong distribution capability and ability to achieve performance targets, the periodic performance targets set by our airline suppliers increased continuously and the structure or mechanism of incentive commission arrangements changed accordingly which made it more challenging for us to consistently reach the higher commission rate tier. Our Directors believe such challenge can be overcome by improving our yield management. For example, if we have accurate real-time data to know the number of air tickets for a particular airline is close to the minimum or higher flown tier performance target near the end of the relevant period, we should then promote or reduce the price of the air tickets of that airline on timely manner in order to boost up sales. If the number of air tickets for a particular airline has reached the capped performance target, which implied even we sell more of their air tickets, we will not be entitled additional incentive commission, we should then shift sales focus to promote air tickets of other airlines. Currently, we may not be able to effectively and timely integrate the data of, among others, flights schedules changes, customers alteration of schedules, unflown air tickets mapping, available to us into our e-ITS system so as to capture accurate and real-time air ticket sales and flown data by segments. It is our plan to upgrade our e-ITS system, which will provide, among others, functions to generate accounting and management reports with details on air ticket sales, segment flown, interline fare breakdown, sales forecast and trend prediction. This upgraded e-ITS system will allow us to have more accurate and real-time air ticket

sales and flown data by segment so our management can respond by forming or changing sales strategy on a timely basis, such as price adjustment, promotion or better allocation of air tickets distribution among various airlines to optimize profit. For details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

In addition, some of the airlines set the incentive commission arrangement and performance target for a period take into account, among others, our actual performance for the preceding period. As such, our Directors expected that if we could not meet the performance target for a period, the forecoming performance target set by those airlines will generally be lower and relatively easier to achieve.

We believe there is plenty of room to explore cooperation opportunities and enhance our incentive commission revenue. During the Track Record Period, we have obtained ticketing authority for more than 150 airlines, out of which over 50 airlines have incentive commission arrangements with Tour East Canada and over 15 airlines have incentive commission arrangements with Tour East New York. We will seek to enter into incentive commission arrangements with over 90 of the remaining airlines which we have ticketing authority but not yet entered into incentive commission arrangements with, let alone new airline suppliers which we may commence relationship from time to time. Based on our experience, the airlines that we have new or shorter business relationships tend to have relatively low level of performance targets, hence it will be easier for us to achieve higher performance targets in order to enjoy a higher incentive commission rate. During the Track Record Period, Tour East Canada and Tour East New York have entered into incentive arrangements with 23 and 9 new airlines, respectively, and generated approximately HK\$1.2 million, HK\$6.3 million and HK\$10.5 million of incentive commission income from these airlines for the years ended December 31, 2015, 2016 and 2017. Having considered the reasons stated above, our Directors are of view that we will be able to maintain the incentive commission from airlines.

In addition to the aforesaid monetary incentive commission, one of the major airlines also offer loyalty program which allows us to gain points on distribution of air tickets and redeem free air tickets with the points.

#### ***Incentive reward scheme from GDS providers***

We receive incentive income from the three GDS providers for using their GDSs to book travel contents, mainly flights. The amount of incentive income is determined based on the number of air ticket segments that we booked through the GDS. For the years ended December 31, 2015, 2016 and 2017, we have received incentive income of approximately HK\$5.1 million, HK\$3.8 million, and HK\$2.5 million from GDS providers, respectively, representing approximately 6.8%, 4.0% and 2.7% of our revenue from air ticket distribution segment and approximately 3.7%, 2.5% and 1.6% of our total revenue, respectively. For further details of GDS service agreements, please refer to the paragraph headed “Suppliers — GDS providers” in this section.

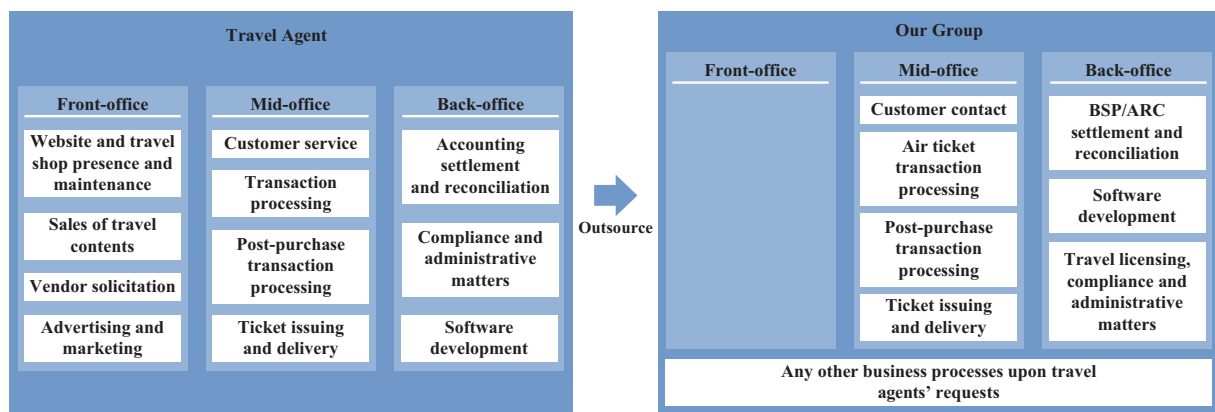
#### **(ii) Travel Business Process Management**

We provide travel business process management to travel agents in North America. The business processes of travel agents is typically categorized as front-office including sales of travel contents, website or travel shop presence, vendor solicitation including liaison with airlines

for pricing and incentive commission, product design and advertising and marketing, mid-office including transaction processing, and customer services and back-office including accounting settlement and reconciliation, refunds, chargebacks, travel licensing and compliance and other administrative matters. According to the CIC report, travel agents are outsourcing a growing proportion of their mid and back-office business processes, in order to reduce costs, increase process efficiency, maintain flexibility and improve business outcomes. Given that we are licensed under TICO and OPC and also an IATA and ARC accredited agent with over 40 years of experience in the air ticketing industry, we play a pivotal role in providing travel agents the options to outsource their non-core business processes cost effectively and allow travel agents to focus on their core competencies. For details of travel business process management industry, please refer to the section headed “Industry Overview — Travel Business Process Management Market in Canada and the U.S.” in this prospectus.

We began to provide travel business process management to one of the world’s top travel agents in 2007. Since then, we have gradually grown and expanded our market share to become one of the top travel business process management providers in Canada. As of the Latest Practicable Date, we had been providing travel business process management to 10 travel agents which include some of the well-known online global brands. For major terms and conditions of the service agreements, please refer to the paragraph headed “Customers — Travel agents” in this section.

Our travel business process management include mid- and back-office functions such as air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, travel licensing and compliance and software development. Our service scope and service level varies depending on the requirements and business needs of the particular customer. Our service function is illustrated in the flowchart below:



### ***Air ticket transaction processing***

Our air ticket transaction processing services typically include the following process conducted on behalf of our customer:

- Air ticket transaction process
- issuance of air tickets

- exchange or re-issuance of air tickets
- assistance to travelers affected by the changes of flight schedule to rearrange their booking
- Post-purchase transaction processing
  - refund or cancelation of air tickets
  - processing and monitoring refund requests
- Electronic travel document delivery, including but not limited to e-ticket, hotel vouchers and tour vouchers

Given that we are licensed under TICO and OPC and also an accredited IATA and ARC agent, we process air ticket transactions on behalf of our customers when travelers book air tickets through our customers' online booking platform. To facilitate air ticket transaction processing, we have developed a software that monitors new reservations, analyzes itinerary details, imports booking information from our customers' online booking platform to our database and creates instructions for auto ticketing. After we issue the air tickets in the capacity as an IATA/ARC accredited travel agent, the completed booking confirmations will be sent to the travelers by our customers or directly by us on behalf of our customers, subject to the request and authorization of our customers. We will also process post-purchase transaction requests such as cancelation of air tickets and refund requests that may be required by the travelers.

#### ***Customer contact***

Our customers may outsource the air ticket related customer contact services to us. Subject to the requirement of service level by our customers, we set up hotline services on behalf of our customers to provide up to 24/7 customer support services. Our customer support services typically include (i) responding to inbound calls and email inquiries from travelers regarding existing travel reservations, modifying and canceling travel reservations; (ii) providing customer support services for travelers who have purchased travel services from our customers; (iii) making outbound calls to travelers affected by airline schedule changes; and (iv) managing travel alerts through emails to our customers.

#### ***BSP/ARC settlement and reconciliation***

We provide BSP/ARC settlement and reconciliation services for air ticket sales conducted by our customers. BSP/ARC is an electronic centralized billing system adopted by IATA/ARC to facilitate and simplify the selling, reporting and remitting procedures of IATA or ARC accredited travel agent. As required by IATA, IATA/ARC accredited travel agents are required to report all air ticket sales and refunds at the end of the billing cycle to BSP/ARC data processing center. The data processing center produces a billing report on behalf of BSP or ARC airline participants, which is to be settled with BSP or ARC clearing bank in strict compliance with published remittance dates.

Our role is to arrange the settlements of air ticket transactions and commission in respect of transactions of our customers with airlines in compliance with the BSP or ARC settlement

requirements, check the billing report against records in respect of our customers' transactions and reconcile discrepancies by making debit or credit adjustment requests to airlines on behalf of our customer and submit forms and reports to BSP or ARC in compliance with applicable requirements.

### ***Software development***

We also develop new software and modify existing software to support the technological requirements of our customers from time to time. The software is often tailored for the particular business needs of each customer. During the Track Record Period, we have completed nine software development projects for our customers, including customized air ticket booking platforms, auto-ticketing control system and reservation information exchange application. We only grant our customers the license to use the software developed by us. They will not gain any ownership rights over such software nor will they be provided with the source code.

All our software development from business analysis and requirements, software design and programming, user testing to bug fixing, is conducted by our travel technology services team. Our travel technology services team will consistently plan on version upgrades and enhancements to ensure the software developed by us are of high quality, usability and viability.

### ***Travel licensing, compliance and other administrative matters***

In addition to the above, we also provide travel licensing, compliance and administrative services to our customer. We handle all travel licensing, compliance and administrative procedures required by the relevant province which generally include, but without limitation (i) ensuring all documents are secure per regulations; (ii) deliver activity reports to our customer; (iii) managing security access and paperworks; and (iv) acting as an agent for the purpose of filing registrations with TICO and OPC with respect to our customers' online booking platform and all associated IATA numbers.

### ***Operation Flow***

The diagram below illustrates the typical operation flow of our travel business process management:



#### ***Request for proposal, evaluation and site visits***

The process generally commences when a customer makes a request for proposal and information relating to our scope of services and pricing of travel business process management. The customer will then evaluate our proposals and may perform site visits to our offices before engaging our services.

### *Formulation of scope of services*

After confirmation for our engagement, we discuss and agree on a launch date of the services with the customer. The launch date typically falls between 30 to 90 days from the signing of the service agreement, depending on the scope and scale of travel business process management engaged. In determining the launch date, we generally take into consideration of the capacity of our information technology infrastructure, availability of our travel business process management team and degree of additional training our existing travel business process management team may require, while our customers would typically take into account of the availability of their internal resources, time required for integration of information technology systems and development and/or modification of software and other transitional arrangements.

We will then formulate our statement of work outlining the detailed service scopes and service levels to be provided, based on the business needs of our customers such as the service committed by our customers to their clients, the anticipated transaction volume and capacity of our travel business process management team.

### *Launch of services*

Upon finalization of the statement of work, we will commence the negotiation of general terms and conditions of the service agreement with the customer. Each service agreement will be reviewed and signed off by our chief executive officer. We will then commence the preparation work required before launch, such as information technology system integration, recruitment and training of business process management staff and meetings with customers to understand their workflow service standard. Provision of travel business process management to our customers will then commence at the agreed launch date.

### *Provision of services*

Following the launch of services, our travel business process management team will provide services to our customers in accordance with the agreed scope of services to be rendered and the level of service to be delivered.

### *Ongoing supervision and regular reporting*

Throughout the service term, a designated account manager will regularly monitor the performance of our travel business process management team, so as to ensure the agreed service levels are being fulfilled. A periodical meeting will also be held with our customers to review our performance and to address any issues or concerns that our customers may have.

Further, we will provide service reports regularly to our customers setting out details of the services performed by us. Such service reports serve as a basis for our customers to review and evaluate whether the service levels agreed upon have been fulfilled. Examples of such regular service reports include daily reports on the number of phone enquiries answered, abandoned within and after 150 seconds daily air ticket transaction activity reports. These regular service reports are prepared and reviewed by the managers of the relevant business departments concerned before being sent to our customers.

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## BUSINESS

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### ***Travel Business Process Management Team***

As of December 31, 2017, our travel business process management team consisted of 53 travel business process management staff, including three team leaders and four account managers, most of whom are well-acquainted with different GDS, ticketing and communication skills. Travel business process management staff are our front-line staff members who are responsible for the execution of the travel business process management in accordance with the service agreements with our customers. The travel business process management staff report to their respective team leaders.

Team leaders manage and supervise the travel business process management staff in areas pertaining to operations and customer issues. They are also responsible for coordinating and facilitating trainings for the travel business process management staff in their teams including the training of new travel business process management staff, communication skills training and GDS skills training. Team leaders also assist the account manager in monitoring service level performance by the team.

Account managers are responsible for overseeing all aspects of the travel business process management we provide to our customers, including implementation, operational supervision, information management and analysis and performance of the travel business process management team. For each customer, we will assign a designated account manager, who will meet with the customer periodically to review the progress of service level performance and address any issues or concerns that our customer may have.

### **(iii) Travel Products and Services**

We provide two types of travel products and services: (i) package tours; and (ii) other travel products and services to travel agents and travelers. The following table sets out a breakdown of our revenue by category of products and services for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Package tours	36,702	92.4	30,719	89.6	28,197	87.7
Other travel products and services <i>(Note)</i>	3,024	7.6	3,547	10.4	3,953	12.3
<b>Total</b>	<u>39,726</u>	<u>100.0</u>	<u>34,266</u>	<u>100.0</u>	<u>32,150</u>	<u>100.0</u>

*Note: Our revenue from sales of other travel products and services are recognized on net basis as we render our services as an agent to the travel providers.*

***Package tours***

We offer a comprehensive range of package tours to more than 200 cities in over 40 countries in Asia, Europe, Middle East, North America and South America. Our package tours can be classified as (i) group travel tours; and (ii) join-in coach tours. The following table sets out the key information on our various package tours:

	<i>Group travel tours</i>	<i>Join-in coach tours</i>
<i>Characteristics</i>	<ul style="list-style-type: none"><li>• Tours pre-arranged with general travel elements including flight, hotel accommodation, local transportation and sight-seeing</li><li>• Customers are guided by English or French or Chinese speaking tour guides engaged by ground operator</li><li>• Offer customers a comprehensive experience of the relevant destinations</li></ul>	<ul style="list-style-type: none"><li>• Tours pre-arranged with hotel accommodation, local transportations and sight-seeing</li><li>• Operate on select days by scheduled coach</li><li>• Customers are guided by English or Chinese speaking freelance tour guides engaged by us</li><li>• Offer customers an affordable way to tour the destinations while still focusing on the main attractions</li></ul>
<i>Major destinations</i>	<ul style="list-style-type: none"><li>• Asia, Indian subcontinent, Middle East and South America</li></ul>	<ul style="list-style-type: none"><li>• Canada and the United States</li></ul>
<i>Typical Duration</i>	<ul style="list-style-type: none"><li>• Seven to 30 days</li></ul>	<ul style="list-style-type: none"><li>• One to six days</li></ul>

***Other travel products and services***

We also offer other travel products and services generally aimed to provide convenience to our customers. Our other travel products and services include customized tours, hotel plus flight packages, hotel accommodation booking, admission tickets to attractions, local transportation such as airport transportation, railway tickets and transportation passes, car rental, travel insurance and visa application. We design our customized tours according to the specific requirements of our customers in respect of travel destinations, airlines, hotels, point of interests and level of luxury. Our travel consultants then prepare detailed itineraries accordingly. Our customers are required to

make a full payment upon the purchase of these travel products or services, except for customized tours.

### ***Operation Flow***

The diagram below illustrates the typical operation process for our package tours:



#### *Development of package tours*

Our general manager of the tours department is responsible for the development of our package tours. To design and develop new package tours as well as to improve our existing package tours, we conduct site visits to new tour destinations and tourist attractions from time to time to identify new travel elements. For new destinations, we consider factors such as market trends, customers' preference, local events or points of interest in destinations, promotion by local tourism associations and geo-political climate.

#### *Tour planning*

Our tour operations department liaises with airlines to check for the availability for flight and carry out detailed planning on the selection of accommodation, ground operators, local transportation and attractions, and continues to monitor the availability of air tickets and accommodation. We assess our potential suppliers based on their quality of services, safety standards, responsiveness, reliability and pricing. We have in place on-going evaluation processes to monitor the performance of our suppliers through feedbacks from our tour guides and tour participants. After we have made the necessary arrangements and obtain the quotations, we will prepare the itineraries, market and launch our products through our marketing and sales channels.

#### *Sales of travel products and services*

We sell our travel products and services to travel agents through our head office and regional offices and travelers through our retail branches and website. As of the Latest Practicable Date, we operated five retail branches in prime shopping malls in the Greater Toronto Area and one regional office in each of Montreal, Calgary, Vancouver and New York. As of December 31, 2017, our sales team consisted of 26 travel consultants, who are mainly responsible for the sales of our travel products and services through our sales channels. For details of our sales channels and sales team, please refer to the paragraphs headed "Sales — Sales channels" and "Sales — Sales team" in this section. We also have a well-established information management system to assist our frontline travel consultants in their sales operations as well as to enable our head office to monitor our sales activities. Our travel consultants are required to input all the sales data into the system as soon as the transaction takes place. All the system users can find out the latest enrollment status as well as the tour space remaining available for sale for each package tour.

The booking of our package tours are usually confirmed around two weeks to four months before departure, whereas the confirmation for customized tours varies depending on the

customers' desired itinerary. We may cancel our tours due to insufficient tour participants at our sole discretion. We will inform our customers of the cancellation generally at least seven days prior to departure. Our customers can either join another tour offered by us or cancel their booking and request for a full refund.

For details of the payment and refund mechanisms of our travel products and services, please refer to the paragraph headed "Sales — Pricing, payment and refund — Travel products and services" in this section.

### *Pre-tour arrangement*

After a tour is confirmed, we will make all necessary arrangements for the tour. For our group travel tours, we (i) book international flights departing from Canada to the destination; and (ii) liaise with ground operators who will monitor the availability of local flights, carry out detailed planning on and make reservations of hotel accommodation, local transportation and sightseeing activities. The ground operators will charge a fixed sum covering all the costs for such travel elements. For our join-in coach tours, we make reservations for hotel accommodation and local transportation directly. Final documents including detailed day-by-day itineraries, contact sheets, e-tickets and vouchers, insurance information, general pre-travel guidance on the tour destination and feedback forms will be sent to our customers at least seven to 14 days prior to their departure.

### *Tour operation*

For our join-in coach tours, we directly carry out the tour operation including the arrangements for hotel accommodation, local transportation and sightseeing activities. We hire a free-lance tour guide with necessary certificates to accompany each join-in coach tour.

For our group travel tours, the tour operation will be handled by the selected ground operators with agreed arrangements for hotels, local transportations and sightseeing activities as required and approved by us before the engagement of the ground operators for the specific tour. The ground operators will arrange tour guides with necessary certificates to accompany each tour group throughout the tour.

The tour guides, whether arranged by us or the ground operators, will attend to our customers' needs and ensure the smooth operation of the tour. In the event of any issue arising from the operation of the tour or in case of emergency, the tour guides will be required to report to our tour operations department immediately and our tour operations department will assist the tour guides to resolve the issues. We pay free-lance tour guides hired by us a guide fee, while tour guides arranged by the ground operators for our group travel tours receive remuneration from the ground operators directly.

We may be liable for the misconduct of ground operators and tour guides, so we engage ground operators recommended by local tourism authorities of the destinations. For our quality control over our ground operators and the tour guides arranged by us or the ground operators, please refer to the paragraph headed "Quality Control" in this section. During the Track Record Period, no material claim in relation to the misconduct of ground operators and tour guides has

been made by our customers against us and we have not been held liable for the misconduct of the ground operators and the tour guides in all material respects.

#### *Evaluation*

Our customers can provide feedback by completing an evaluation form on various aspects of the tour and their general satisfaction level or leave comments on our corporate pages on various social networks. The ground operators engaged by us can do provide their comments on each tour and relay to us any feedback given by our customers and the tour guides. This on-going evaluation process will enable us to continuously monitor and improve the quality of the travel products and services provided by our suppliers or ourselves.

#### ***Emergency handling policy***

We have in place an internal control policy for handling emergencies occurring at the tour destinations to minimize the risk of personal injury to our customers and damage to their personal property. Upon the occurrence of any emergency events such as natural disasters, terrorist attacks, outbreak of infectious diseases, catastrophic events, issuance of any outbound travel alert or similar events posing potential threats to the safety of our customers, a crisis management command center will be set up immediately comprising representatives from various departments, as led by our chief executive officer to evaluate the situation and take all prompt and effective actions to cope with such emergency situation with the aim to protecting the life and property of our customers. Depending on the severity of the emergency situation, we will take such appropriate actions such as (i) cancelation of tours and make refunds to our customers; (ii) assisting our customers to reschedule their itineraries subject to the cancelation policies of airlines and hotels; (iii) keeping contact with the tour guides and ground operators to ensure our customers are safe and that our customers will be afforded such assistance as may be required; (iv) keeping contact with our customers' emergency contact persons to keep them informed; (v) adjusting itinerary of the tours to avoid going to the affected areas; (vi) contacting the insurance company to provide assistance and, if necessary, arranging for the return of our customers to Canada for medical treatment; and (vii) arranging with airlines for early return of our customers to Canada.

## **CUSTOMERS**

### **Top customers**

Our customers primarily comprise travel agents and travelers. During the Track Record Period, we have approximately 948, 876 and 894 travel agent customers. For each of the years ended December 31, 2015, 2016 and 2017, gross sales proceeds generated from our five largest customers amounted to HK\$1,778.3 million, HK\$2,660.2 million and HK\$2,634.1 million, respectively, representing approximately 54.9%, 68.0% and 63.2% of our total gross sales proceeds, respectively, and gross sales proceeds generated from our largest customer was HK\$1,365.2 million, HK\$1,613.0 million and HK\$1,808.2 million, respectively, representing approximately 42.2%, 41.3% and 43.4% of our total gross sales proceeds, respectively. We have maintained business relationships with our five largest customers for a period ranging from one to 15 years.

## BUSINESS

The following tables set out certain information about our five largest customers for the periods indicated:

For the year ended December 31, 2015

Customer	Principal business and background	Location <sup>(Note 1)</sup>	Type of products/ service	Years of business relationship with our Group	Payment term	Gross sales proceeds (HK\$'000)	Percentage of our Group's total gross sales proceeds %
Customer A <sup>(Note 2)</sup>	Online travel agent that owns and operates leading travel brands featuring the world's broadest supply portfolio, with more than 590,000 properties in 200 countries, over 500 airlines, packages, rental cars, cruises, destination services and activities	the U.S.	Air ticket and travel business process management	15	— Travel business process management: Within 30 days after invoice date — Air ticket distribution: no credit terms	1,365,244	42.2
Customer B	Supplier of retail customer software and provides technological development, technical consulting, conference and exhibition, data processing, collection and management services	China	Air ticket	2	— Air ticket distribution: seven days	186,647	5.8
Customer F <sup>(Note 3)</sup>	Software developer whose mobile applications use big data to predict and analyze airfares	the U.S. and Canada	Air ticket and travel business process management	3	— Travel business process management: net 30 days after invoice — Air ticket distribution: no credit terms	79,541	2.4
Customer G <sup>(Note 4)</sup>	Online travel service provider that offers transportation ticketing, accommodation reservation, corporate travel management and packaged tours in China	Hong Kong	Air ticket	2	— Air ticket distribution: one working day after invoice	78,971	2.4
Customer H	Travel agency providing travel products including air tickets, travel insurance, and vacation packages to retail customers	Canada	Air ticket	3	— Air ticket distribution: no credit terms	67,936	2.1

## BUSINESS

For the year ended December 31, 2016

Customer	Principal business and background	Location <sup>(Note 1)</sup>	Type of products/ service	Years of business relationship with our Group	Payment term	Gross sales proceeds (HK\$'000)	Percentage of our Group's total gross sales proceeds %
Customer A <sup>(Note 2)</sup>	Online travel agent that owns and operates leading travel brands featuring the world's broadest supply portfolio, more than 590,000 properties in 200 countries, over 500 airlines, packages, rental cars, cruises, destination services and activities	the U.S.	Air ticket and travel business process management	15	— Travel business process management: within 30 days after invoice date — Air ticket distribution: no credit terms	1,612,951	41.3
Customer G <sup>(Note 4)</sup>	Online travel service provider that offers transportation ticketing, accommodation reservation, corporate travel management and packaged tours in China	Hong Kong	Air ticket	2	— Air ticket distribution: one working day after invoice	575,958	14.7
Customer F <sup>(Note 3)</sup>	Software developer whose mobile applications use big data to predict and analyze airfares	the U.S. and Canada	Air ticket and travel business process management	3	— Travel business process management: net 30 days after invoice — Air ticket distribution: no credit terms	372,251	9.5
Customer H	Travel agency providing travel products including air tickets, travel insurance, and vacation packages to retail customers	Canada	Air ticket	3	— Air ticket distribution: no credit terms	58,735	1.5
Customer I <sup>(Note 5)</sup>	E-commerce company providing conference, travel product, travel consulting and ticketing services	China	Air ticket	3	— Air ticket distribution: one day	40,273	1.0

## BUSINESS

For the year ended December 31, 2017

Customer	Principal business and background	Location <sup>(Note 1)</sup>	Type of products/ service	Years of business relationship with our Group	Payment term	Gross sales	Percentage of our Group's total gross sales
						proceeds	proceeds
						(HK\$'000)	%
Customer A <sup>(Note 2)</sup>	Online travel agent for business and leisure travelers that owns and operates leading travel brands featuring the world's broadest supply portfolio, with more than 590,000 properties in 200 countries, over 500 airlines, packages, rental cars, cruises, destination services and activities	the U.S.	Air ticket and travel business process management	15	— Travel business process management: Within 30 days after invoice date  — Air ticket distribution: no credit terms	1,808,201	43.4%
Customer G <sup>(Note 4)</sup>	Online travel service provider that offers transportation ticketing, accommodation reservation, corporate travel management and packaged tours in China	Hong Kong	Air ticket	2	— Air ticket distribution: One working day after invoice	526,827	12.6%
Customer K <sup>(Note 6)</sup>	Travel agency established in 2000, mainly providing commercial air passenger transportation sales agency and air ticketing services	China	Air ticket	1	— Air ticket distribution: One day	137,006	3.3%
Customer J	Air ticket agency established in 1999 and offers domestic and international travel business services, as well as tourism supplies and products	China	Air ticket	2	— Air ticket distribution: One day after invoice twice per week	96,570	2.3%
Customer F <sup>(Note 3)</sup>	Software developer whose mobile applications use big data to predict and analyze airfares	the U.S. and Canada	Air ticket and travel business process management	3	— Travel business process management: net 30 days after invoice  — Air ticket distribution: no credit terms	65,543	1.6%

Notes:

(1.) Based on the location of the contracting party.

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## BUSINESS

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- (2.) *Including transactions with Customer A and its subsidiary and are considered as a single customer. Customer A is listed on the NASDAQ Stock Market. According to its 2017 annual report, it recorded a revenue of approximately US\$10.06 billion in 2017 and its net current liabilities as of December 31, 2017 was approximately US\$2,339.1 million.*
- (3.) *Including transactions with Customer F and its subsidiary and are considered as a single customer. We had been providing travel business process management to Customer F since 2015. The provision of travel business process management with Customer F ceased in 2017.*
- (4.) *Including transactions with subsidiaries of Customer G and are considered as a single customer. Customer G is listed on the NASDAQ Stock Market. According to its 2016 annual report, it recorded a revenue of approximately US\$2,850.1 million in 2016 and, according to its 2017 annual report, its net current assets as of December 31, 2017 was approximately US\$2,623.1 million.*
- (5.) *Including transactions with two companies, both are under common control and presented on combined basis.*
- (6.) *Including transactions with Customer K and its subsidiary and are considered as a single customer.*

To the best of our knowledge and belief, our major customers can also purchase air tickets from airlines directly, but we are still able to obtain and offer a wide selection of air tickets from various airlines at favorable prices to help our major customers to fulfill a part of their customers' demand. Our Directors believe it is due to (i) our long-standing relationships with various airlines; (ii) our large customer base with stable demand; (iii) airline industry-specific distribution strategies; and (iv) our one-stop service provided to customers.

*Long-standing relationships with airlines:* According to the CIC Report, many travel agents may not have establishments such as necessary accreditations, financial strength and IT infrastructure to deal with airlines directly, thus may find it difficult to establish connections with airlines to obtain air tickets directly at favorable prices or at all. Negotiating individual deals directly with airlines is a long and tedious commitment that takes years to achieve. Through our 40 years of operation, we have established stable and long-standing relationships with various airlines in the world. As of the Latest Practicable Date, we had maintained business relationships with our five largest suppliers for an average of 23 years, obtained ticketing authority for more than 150 airlines and secured private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China. Particularly, given our management's Asian-Canadian background and familiarity with air ticketing industry in North American and business practice and culture in Asia, we believe that we have a competitive advantage in negotiating private fare deals with airlines that are based in the PRC and other Asia Pacific countries as compared with travel agents with foreign background based in North America. During the Track Record Period, our largest customer commenced to procure and also procured higher volume of air tickets of some of our major airline suppliers based in Asia Pacific from us. Moreover, given we maintained stable demand for air tickets and gained bargaining power with airline suppliers through our long history of operations, we are able to obtain more favorable prices, in particular for long-haul outbound flights to Europe and Asia, which accounted for over 50% of the total procurement from our largest customer for each of the years ended December 31, 2015, 2016 and 2017.

*Our large customer base with stable demand:* Our strong distribution capability is well supported by stable demand generated from our large customer base mainly consisting of more than 850 travel agents in Canada and the United States. Our Directors believe that as travel agent

customers are more sophisticated, knowledgeable and demanding, it takes time and resources to cultivate good relationships with them. To the best knowledge of our Director, once the relationship is formed and a track record is established, travel agent customers tend to stay loyal as they are looking for stable and lengthier business relationships with their suppliers, not just one-off transaction or transactions with more limited time frames like travelers. As such, products or services are sold through professional and sometimes personal relationships that are built over time. The demand from travel agent customers is more inelastic as it is not affected that much by short-term price changes. As for travelers, the demand could be less stable because they are more price sensitive and fluid. Our good relationships with our customers can be evidenced by the fact that their consistent purchase of a large volume of air tickets from us. For instance, sales of air tickets to our major customers have been increasing steadily during the Track Record Period in both gross proceeds and volume. For each of the years ended December 31, 2014, 2015, 2016 and 2017, our gross sales proceeds of air tickets amounted to approximately HK\$2,790.7 million, HK\$3,095.1 million, HK\$3,755.0 million and HK\$4,018.9 million, respectively with an average growth rate of approximately 13.1% and at CAGR of 12.9%. We believe that our strong distribution capabilities and consistent high sales achievements have strengthened our bargaining power and enabled us to continue to negotiate more favorable private fare deals with airlines. For example, during the Track Record Period, in addition to the private fares that we continuously obtain from existing airline suppliers, we also successfully obtained private fares from new airline suppliers and our largest customer generally procured more air tickets from us after we obtained private fares from these airlines, which showed our pricing advantage obtained through private fares.

*Airline industry-specific distribution strategies:* According to the CIC Report, given the high operating and selling costs for selling air tickets to travelers on their own, limited reach to customer base and perishable nature of airline seats, airlines often adopt the multi-channel distribution strategy. As such, airlines sell tickets directly through airline websites, mobile channels, call centers or tickets' offices and also distribute air tickets indirectly through intermediaries such as online and offline travel agents, travel management companies and air ticket consolidators like us. In order to try out different permutations of channel or revenue mix to maximize their yields and minimize costs, avoid direct competition with their own distribution channels and spread the risks of over reliance on any particular distribution channels, airlines often allocate air tickets at the different price ranges to various intermediaries. Given (i) the stable demand for air tickets of various airlines derived from our solid customer base which evidenced by our growing distribution volume of approximately 436,000, 606,000, 861,000 and 949,000 air tickets for the years ended December 31, 2014, 2015, 2016 and 2017, respectively; (ii) the considerable incentive commission that we received from airlines of approximately HK\$30.9 million, HK\$45.9 million, HK\$57.9 million and HK\$54.6 million for the years ended December 31, 2014, 2015, 2016 and 2017, respectively; (iii) we had maintained business relationships with our five largest suppliers for an average of 23 years as of the Latest Practicable Date; and (iv) we had ticketing authority for more than 150 airlines and secured private fare deals with around 70 airlines all over the world as of the Latest Practicable Date, we believe that we served as a reliable and crucial distribution channel of airlines.

*Our one-stop services provided to customers:* To the best knowledge of our Directors, some of our major customers like our largest customer would rather focus on selling and promoting to their customers than cultivating and managing relationships with all airlines, which could be

extremely time-consuming and resource intensive. Especially, our major customers might find it inconvenient to deal with airlines with smaller scale of operation and/or they are not familiar with. Through procuring air tickets from a well established air ticket consolidator with wide product offering from various airlines like us, our major customers can consume less time and resources to deal with airlines while achieving cost efficiency and procuring at favorable prices at the same time. Moreover, our Group would provide comprehensive after sales services after confirmation of the reservation, including issuance of tickets and changes of tickets to our customers. Also, our travel business process management, including accounting settlement and reconciliation, refunds, chargebacks and other administrative matters, can allow our customers to focus on their core competencies.

In addition, as mentioned above, many other travel agents may face significant barriers such as necessary accreditations, financial strength and IT infrastructure to deal with airlines directly. As such, they might not be able to provide comparable products and services to our major customers.

*Accreditations.* Our IATA and ARC accreditations qualify us to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. As the accreditations require the achievement of certain standards, including, among other things, license, finance, staff qualification and document maintenance, only a limited number of travel agents are IATA or ARC accredited.

*Financial strength.* Satisfaction of certain financial criteria, including working capital and financial ratio requirements, is a key step to obtaining IATA and ARC accreditations. In order to satisfy such requirement, travel agents may be required to provide certain financial security in the form of letter of guarantee or bond, which may involve significant financial and other resources and expenditures. As of December 31, 2016 and 2017, we had to place a term deposit, in a significant amount of approximately HK\$41.4 million and HK\$45.0 million, respectively, with the bank as a security to issue such letter of guarantee. In addition to the financial requirements established from time to time by IATA and ARC, certain airlines may also require their customers to provide financial securities including letter of guarantee to secure the performance of obligations under the relevant sales agreement. The customers may lack the required financial background to fulfill the aforementioned requirements should they want to obtain air tickets directly from airlines.

*Information technology.* We have built a solid IT infrastructure to support our daily operations and accumulated extensive technical know-how in the travel and tourism industry, which enable us to maintain competitive advantage by meeting the demands of our customers for speed, flexibility and convergence. We also possess advanced skills and strong capabilities on the designing, installing and integrating of real-time interface to sync with different GDSs and with the customers' IT platform. As the information shown on GDSs can vary depending on the arrangements between travel providers and travel agents, we subscribe to three GDSs to gain comprehensive access to inventory, availability, scheduling, pricing, policies and rules of various airlines. Given that the business of online travel agents required IT system integration and automation with its suppliers/service providers, the suppliers/service providers are required to possess IT capability in order to transact with those online travel agents.

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## BUSINESS

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Taken together, our Directors are of the view that other service providers or our major customers may not be able to access to the favorable prices as we do and we believe that our cooperation with our major customers are mutual and complementary.

### **Travel Agents**

We have entered into service agreements with travel agents to provide travel business process management. Below is a summary of the major terms of our travel business process management agreements with travel agents.

#### ***Travel Business Process Management Agreement***

<i>Term</i>	: One to three years from effective date
<i>Scope of services</i>	: We provide various services including air ticket transaction processing, customer contact, BSP or ARC settlement and reconciliation, software development or travel licensing, compliance and administrative matters, depending on the needs of our customers
<i>Pricing</i>	: Fee varies depending on the scope of services and level of services such as time cost incurred in delivering the services, transaction volume and labor cost of services
<i>Payment</i>	: Generally within 15 to 30 days after invoice
<i>Renewal</i>	: Generally the agreements will renew automatically subject to earlier termination
<i>Termination</i>	: Generally either party may terminate the agreements by giving the other up to 180 days written notice without cause

We have also entered into long term agreements with a few travel agents to supply air tickets and travel products and services to them. Below is a summary of major terms of such agreements with travel agents.

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## BUSINESS

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### *Preferred Vendor Agreement*

<i>Term of arrangement</i>	:	We supply air ticket and travel products and services to travel agents
<i>Term</i>	:	One to two years from effective date
<i>Minimum purchase requirement</i>	:	We do not require our customers to purchase a minimum number of air tickets and travel products
<i>Incentive arrangement</i>	:	We may provide incentive commission and/or marketing fund to our customers subject to their sales performance
<i>Payment</i>	:	Typically settled upon booking
<i>Renewal</i>	:	The parties may mutually agree to renew the agreements in writing, subject to earlier termination
<i>Termination</i>	:	Typically either party may terminate the agreement by giving the other up to 90 days notice

During the Track Record Period, the amount of incentive commission and/or marketing fund we paid to travel agents under the Preferred Vendor Agreement is immaterial. For other travel agents, we enter into air ticket and travel products and services transactions with them on order-by-order basis. None of our service agreements have been unilaterally terminated by any travel agent during the Track Record Period.

During the Track Record Period, we procured certain travel products from Customer A, being our largest customer during the Track Record Period. We would occasionally procure travel products from other travel agents on urgent basis or at better prices, and likewise for other travel agents (the “**Arrangement**”). Our purchase of travel products from Customer A for the Track Record Period amounted to approximately HK\$0.6 million, HK\$1.1 million and HK\$1.0 million, respectively, representing less than 0.1% of our total gross cost of procurement of the corresponding year. Sales proceeds of air tickets purchased by Customer A amounted to approximately HK\$1,344.7 million, HK\$1,593.1 million and HK\$1,783.8 million, representing approximately 43.4%, 42.4% and 44.4% of our gross sales proceeds of air tickets for the corresponding year, and service revenue generated from providing travel business process management to Customer A amounted to approximately HK\$20.5 million, HK\$19.9 million and HK\$24.4 million, representing approximately 96.9%, 82.9% and 84.7% of our total revenue for travel business process management segment for the corresponding year, respectively. Our Directors consider that the Arrangement is a normal industry practice and is mutually beneficial to our Group and other travel agents companies as our Group and other travel agents could source travel products at better prices.

We have no control over our travel agent customers with respect to their sales and pricing policies, refund and exchange arrangements and sales targets. To the best knowledge of our Directors, no travel agent customer has conducted its business under our Company’s name.

**Travelers**

Customers of our travel products and services segment also include travelers who purchase our package tours, customized tours, hotel and flight package and other and travel related products and services. We did not enter into any long-term agreement with travelers and enter into transaction with them on order-by-order basis. The travelers normally settle in cash or credit card. For each of the years ended December 31, 2015, 2016 and 2017, we did not have any single customer of our travel products and services segment who accounted for more than 5% of our revenue for such business segment.

Save for Ms. Tsu's interests of 400 shares in Customer A, and 500 shares in Customer G, both are listed company, none of our Directors or their respective associates or any Shareholder holding more than 5% of the issued share capital of our Company immediately following the completion of the Share Offer held an interest in any of the five largest customers of our Group as of the Latest Practicable Date.

**Concentration risk of our customers*****Background of Customer A***

We have established stable and long-term relationship with our largest customer, Customer A, an online travel agent which operates several websites that offer a wide range of travel products to a large population of travelers. We supply air tickets and provide travel business process management to Customer A. For each of the years ended December 31, 2015, 2016 and 2017, gross sales proceeds of air tickets to Customer A in our air ticket distribution segment accounted for approximately 43.4%, 42.4% and 44.4% of our total gross sales proceeds of air tickets; and service revenue generated from Customer A accounted for approximately 96.9%, 82.9% and 84.7% of our total revenue for travel business process management segment, respectively.

***Mutual and complementary reliance between Customer A and our Group***

Our Directors are of the view that our cooperation with Customer A is mutual and complementary for the following reasons:

As of the Latest Practicable Date, we had over 15 years of business relationship with Customer A, a listed company. We began to supply air tickets to Customer A since 2003 and provide travel business process management to Customer A since 2007. Customer A operates several websites that offer a wide range of travel products such as air tickets, hotel reservations, car rentals, cruises, vacation packages and various attractions to a large population of travelers. To the best knowledge of our Directors, Customer A would source desired travel products including hotels, air tickets, car rentals and vacation package etc. from various suppliers such as travel providers and travel agents at best available price on the market.

On the one hand, as a long-established air ticket consolidator, we are able to provide a wide selection of air tickets from variety of airlines at competitive prices to help Customer A to fulfill the part of demand of its customers. To the best knowledge of our Directors, despite Customer A

also purchases air tickets from airlines directly from time to time, our Group's sales of air tickets to Customer A has been increasing steadily during the Track Record Period in gross proceeds. For each of the years ended December 31, 2015, 2016 and 2017, gross sales proceeds of air tickets to Customer A amounted to approximately HK\$1,344.7 million, HK\$1,593.1 million and HK\$1,783.8 million, respectively. Gross sales proceeds of air tickets to Customer A has been growing consistently for each year from 2008 to 2017 with an average growth rate of approximately 14.0% and at CAGR of 13.6% from 2008 to 2017, respectively. Given that the business of Customer A required IT system integration and automation with its suppliers, the suppliers are required to possess IT capability in order to transact with Customer A. Unlike the other two major air ticket consolidators in Canada, which, to the best knowledge of our Directors, are traditional offline companies with limited IT capacity, our IT capacity can meet the technical specification of Customer A. Also, given our Group's IATA and ARC accreditations, it is also qualified to issue tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines. For any air ticket purchase, we will provide complementary air ticket transaction process services such as issuance of air tickets, involuntary changes caused by events beyond the travelers' control, such as flight schedule changes, cancellations, or delays. Our Directors believe that it would not be easy for Customer A to find alternative suppliers who are able to supply comparable quantity and variety of air tickets at competitive prices as well as provide quality services within a short period of time.

On the other hand, given our licenses with TICO and OPC, long-term experience in the travel and tourism industry, in-depth technical know-how together with information technology capabilities, we are able to provide effective travel business process management to Customer A, which our Directors believe such services helps to reduce Customer A's operating cost and allow it to focus on its core competencies. To the best knowledge of our Directors, Customer A does not have its own mid and back-office operation team to handle air ticket transaction processing, customer contact, BSP settlement and reconciliation, travel licensing, compliance and other administrative matters in Canada. We, as the only domestic travel business process management company among the top three travel business process management companies in Canada, is able to provide comprehensive services catering to Customer A's needs and at the service levels required by it, from which it is expected that Customer A can enjoy our Group's professional service at a lower operating cost comparing with developing its in-house operation team and can focus on its sales and marketing function. Over the course of 10 years, we have acquired sufficient understanding of the daily operation of Customer A. We can meet key performance indicators set by Customer A throughout the years of collaboration and able to maintain its travel business process management agreements and expand its service scope. In return, we are able to enhance our travel business process management by acquiring advanced technologies and leveraging the extensive experience gained from services provided to Customer A, and in turn improve our service portfolio and raise our corporate profile. During the Track Record Period, our travel business process management customers grew from four travel agents in 2015 to 12 travel agents in 2017.

Moreover, our Directors believe that there is no commercial reason and practically not easy for Customer A to find an alternative service provider who is able to provide similar scope of services at the same service level as ours in Canada with no interruption of Customer A's business. Pursuant to the travel business process management agreement entered with Customer A, either

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## BUSINESS

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party may terminate the agreement by giving a notice period longer than those contained in travel business process management agreement with other customers. To the best of our knowledge and belief, such long notice period for termination demonstrate the complexity and specialty of our services and it is not easy to replace us with other service providers in the market and even if so, the transition period will be relatively long. In addition, given the travel business process management provided by us to Customer A involved its daily operations, if Customer A were to choose a new service provider who does not possess the same experience and expertise, its business operation may be adversely affected if the new service provider's performance is unsatisfactory where such risk to Customer A can be significant and unbearable.

Please refer to the section headed "Risk Factors — Risk Relating to Our Business — We rely on several major customers. If we do not effectively manage our relationships with these customers, our business, prospects, financial condition and results of operations may be materially and adversely affected." in this prospectus for further details.

### SUPPLIERS

#### Top Suppliers

Our suppliers primarily comprise travel providers including, without limitation, airlines, ground operators and GDS providers. For each of the years ended December 31, 2015, 2016 and 2017, gross cost of procurement from our five largest suppliers were approximately HK\$2,130.1 million, HK\$2,435.4 million and HK\$2,543.5 million, respectively, representing approximately 68.0%, 64.4% and 62.9% of our total gross cost of procurement, respectively. For the same period, gross cost of procurement from our largest supplier was approximately HK\$1,116.5 million, HK\$1,229.8 million and HK\$1,318.0 million, respectively, representing approximately 35.6%, 32.5% and 32.6% of our total gross cost of procurement, respectively. We have maintained business relationships with our five largest suppliers for an average of 23 years.

## BUSINESS

The following tables set out certain information about our five largest suppliers for the periods indicated:

For the year ended December 31, 2015							
<u>Suppliers</u>	<u>Principal business</u>	<u>Location</u> (Note 1)	<u>Supplies/ Products</u>	<u>Years of business relationship with our Group</u>	<u>Payment term</u>	<u>Gross cost of procurement amount</u> (HK\$'000)	<u>Percentage of our Group's total gross cost of procurement</u> %
Supplier A	Airline	Canada	Air ticket	30	up to 10 days after weekly closing	1,116,540	35.6
Supplier B	Airline	the U.S.	Air ticket	13	up to 10 days after weekly closing	393,230	12.6
Supplier D	Airline	the U.S.	Air ticket	25	up to 10 days after weekly closing	250,456	8.0
Supplier C	Airline	Hong Kong	Air ticket	37	up to 10 days after weekly closing	209,137	6.7
Supplier E	Airline	China	Air ticket	12	up to 10 days after weekly closing	160,771	5.1
For the year ended December 31, 2016							
<u>Suppliers</u>	<u>Principal business</u>	<u>Location</u> (Note 1)	<u>Supplies/ Products</u>	<u>Years of business relationship with our Group</u>	<u>Payment term</u>	<u>Gross cost of procurement amount</u> (HK\$'000)	<u>Percentage of our Group's total gross cost of procurement</u> %
Supplier A	Airline	Canada	Air ticket	30	up to 10 days after weekly closing	1,229,787	32.5
Supplier B	Airline	the U.S.	Air ticket	13	up to 10 days after weekly closing	407,739	10.8
Supplier D	Airline	the U.S.	Air ticket	25	up to 10 days after weekly closing	400,468	10.6
Supplier C	Airline	Hong Kong	Air ticket	37	up to 10 days after weekly closing	201,400	5.3
Supplier E	Airline	China	Air ticket	12	up to 10 days after weekly closing	195,969	5.2

## BUSINESS

For the year ended December 31, 2017

Suppliers	Principal business	Location <sup>(Note 1)</sup>	Supplies/ Products	Years of business relationship with our Group	Payment term	Gross cost of procurement amount <i>(HK\$'000)</i>	Percentage of our Group's total gross cost of procurement %
Supplier A	Airline	Canada	Air ticket	30	up to 10 days after weekly closing	1,318,028	32.6
Supplier B	Airline	the U.S.	Air ticket	13	up to 10 days after weekly closing	443,563	11.0
Supplier D	Airline	the U.S.	Air ticket	25	up to 10 days after weekly closing	385,580	9.5
Supplier C	Airline	Hong Kong	Air ticket	37	up to 10 days after weekly closing	259,582	6.4
Supplier E	Airline	China	Air ticket	12	up to 10 days after weekly closing	136,741	3.4

*Note 1:* Based on the location of the contracting party.

### Travel providers

We have entered into sales agreements with incentive arrangement (the “Sales Agreement”) with certain airlines, the major terms of which are set out below.

<i>Term</i>	:	Typically one to two year from effective date
<i>Minimum sales target</i>	:	Certain airline suppliers impose a minimum sales target, the failure of meeting the minimum sales target by us in current term may result in removal of incentive commission benefits in the following term
<i>Incentive commission</i>	:	Incentive commission is determined using a tiered commission structure, subject to a maximum commission rate set by certain airline suppliers
<i>Payment</i>	:	Typically after the end of each quarter or semi-annually or annually
<i>Termination</i>	:	Typically either party may terminate the agreement by giving the other 30 days notice
<i>Renewal</i>	:	Typically the agreements will renew automatically unless written notice of non-renewal or early termination
<i>Regulatory compliance</i>	:	Compliance with terms and conditions of IATA and/or ARC

During the Track Record Period, no Sales Agreements have been unilaterally terminated by any airline supplier. Save for Sale Agreements with airline suppliers, we did not enter into any long-term agreement with other travel providers during the Track Record Period in order to maintain flexibility of our business operation.

**GDS providers**

We rely on GDS for our daily operations. GDS is a network that connects a large number of travel providers with a large number of travel agents, through which we can access, search and book wider travel contents, including information on rates and availability of flights, hotel rooms, car rental and cruises in real time. Pursuant to our GDS service agreements, service fees in respect of information access, booking access, hardware usage and services are payable by us to our GDS providers. At the same time, we receive incentive income from GDS providers for using their GDSs to book travel contents. The amount of incentive income is determined based on the number of air ticket segments that we booked through the respective GDSs. We also receive a signing bonus from one of our GDS providers in 2017 when we renew the GDS service agreement with the GDS provider. As of the Latest Practicable Date, we had entered into long-term service agreements for no less than three years with three independent GDS providers to access inventory, availability, scheduling, pricing, policies and rules of airlines. During the Track Record Period, no GDS service agreements have been unilaterally terminated by any GDS providers.

**Ground operators and tour guides**

We engage ground operators and tour guides to handle our package tours. We carefully select our ground operators recommended by local tourism authorities of the destinations and airlines. We did not enter into any long-term agreement with our ground operators and tour guides. We normally make payments to the ground operators before departure in USD through telegraphic transfer. We pay free-lance tour guides hired by us a guide fee in CAD through check, while tour guides arranged by the ground operators for our group travel tours receive remuneration from the ground operators directly. During the Track Record Period, we had not suffered from material disruptions and other quality problems in respect of the ground operators and tour guides.

Save for (i) Mrs. Tsang's interests of 3000 shares in Supplier A, a listed company, and (ii) Ms. Min Tsu, who is the mother of Mrs. Tsang, Ms. Tsu and Dr. Chu, having an interests of 1000 shares in Supplier A, none of our Directors or their respective associates or any Shareholder holding more than 5% of the issued share capital of our Company immediately following completion of the Share Offer held by any interest in any of the five largest suppliers of our Group as of the Latest Practicable Date.

***Concentration risk of our suppliers***

We source air tickets from Supplier A, a listed company. For each of the years ended December 31, 2015, 2016 and 2017, transactions with our largest supplier amounted to approximately 35.6%, 32.5% and 32.6% of our total gross cost of procurement of air ticket distribution segment. Our Directors are of view that our substantial purchase amount with Supplier A during the Track Record Period is mainly due (i) Supplier A is one of the dominant players with relatively significant market share in the global air transport market; (ii) Supplier A is the largest

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## BUSINESS

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airline based in Canada which operated frequent flights to most of the destinations in the world; and (iii) we have established business relationship with Supplier A for around 30 years and have not experience any material non-performance by Supplier A which caused disruption to our operation.

Since Supplier A is a major and reputable airline based in Canada, as part of our commitment for customer satisfaction, we will continue our business relationship with Supplier A as our major supplier of air tickets. On the other hand, we are one of the major distributors of Supplier A. For the years ended December 31, 2015 and 2016 and 2017, we have sold approximately 216,800, 272,100 and 278,300 air tickets of Supplier A, respectively. We believe that Supplier A also relies on us to distribute the air tickets and thus our Directors consider that the reliance is mutual and complementary. Although our service agreements with Supplier A typically have no fixed term, unless terminated by either party with the required advance notice, we believe we are able to continue to cooperate with Supplier A taking into consideration of (i) our stable and long-standing relationship with Supplier A for around 30 years; and (ii) none of our sales agreements have been unilaterally terminated by any airline supplier during the Track Record Period. Please refer to the sections headed “Risk Factors — Risk Relating to Our Business — Failure to maintain our relationships and renew agreements with major airline suppliers may materially and adversely affect our profitability, business and results of operations.” and “Risk Factors — Risk Relating to Our Business — We rely on third-party travel providers to provide certain travel products and services, and unsatisfactory performance or misconduct of the relevant travel providers may adversely affect our reputation and business.” in this prospectus for further details.

## SALES

### Sales Channels

We primarily distribute air tickets to travel agents through our booking platforms which we have developed in-house or through calls received by our head office and regional offices, and to travelers through our retail branches. We sell our travel products and services to travel agents through our head office and regional offices and to travelers through retail branches and website.

Our head office is currently situated in Toronto, Canada, with an area of approximately 14,490 sq. ft., serving as our headquarters to oversee our overall business operations, handle all of our administrative matters, conduct air ticket distribution and sell travel products and services to travel agents. We have also established regional office in Montreal, Calgary, Vancouver and New York to conduct air ticket distribution to travel agents. Our regional offices in Canada oversee our operations of air ticket distribution business in the provinces of Québec, Alberta and BC and handle all of relevant administrative matters, including liaisons with travel agent customers’ purchase and provide post purchase support. Sales at head office and regional offices are typically made through (i) electronic transactions, such as email; and (ii) telephone orders.

As of the Latest Practicable Date, we operated five retail branches in prime shopping malls in the Greater Toronto Area. Travelers can walk in or call our branches to make enquiries, reservations and purchases of air tickets and travel products and services. Travel consultants at our retail branches provide professional assistance and advice to travelers to address their needs and preferences. Computer terminals linked to our centralized booking system enable our sales

representatives to check real-time availability of our package tours, make suggestions to customers and bookings accordingly.

We have also established a website at [www.toureast.com](http://www.toureast.com), to provide travelers with the convenience of viewing our travel product and service offerings, making online enquiries and book join-in coach tours. Our website also hosts an array of travel information for popular destinations and provides a cost-effective platform for serving potential customers around the clock.

### **Sales Team**

Our sales team consists of 26 travel consultants, with an average of over ten years experience in travel and tourism industry and is mainly responsible for the sales of travel products and services through our sales channels.

### **Pricing, payment and refund**

#### ***Air ticket distribution***

We determine the price of our air tickets on a cost-plus basis, taking into consideration, among others, the market comparables, business scale of the customer transaction volume, sales commission offered by certain airline suppliers upon distributing of the air ticket which is directly deducted from the cost of air tickets, our sales performance and relationship with the particular customer. Payment must be made at the time of the booking. In addition to the penalty charge of airlines, we may also charge an exchange and/or refund handling fee ranging from CAD20 to CAD100.

For group air ticket bookings, airlines generally require travel agents to pay a deposit once a price quote has been agreed upon and settle payment in full within 45 days prior to the departure date. The amount of the deposit generally depends on the number of air tickets booked. We accept payment by credit cards or checks while the majority of sales are settled by credit cards. If a travel agent decides to make changes or cancel the booking, we may charge a handling fee in addition to surcharges and/or penalty fees imposed by airlines. In the event of errors on the part of our air ticketing term such as the miscalculation of airfares, miscommunication of the change penalty or missing of the ticketing deadline, we will credit a full refund of the air ticket price to the next invoice of the travel agent. During the Track Record Period, we had not experienced any material refund arising from errors on our part.

#### ***Travel products and services***

The price for our travel products and services is generally determined on a cost-plus basis, mainly taking into consideration of the cost of travel elements including flight/coach bus, accommodation, local transportation and sight-seeing, the prices of similar products and services offered by our competitors and market demand. As some of the travel elements are provided by overseas ground operators, from time to time we have to settle the relevant costs in currencies other than our functional currency CAD, which mainly included the USD.

Our customers are required to make a full payment upon booking of join-in coach tours and a deposit of CAD500 upon booking of group travel tours. Customers who purchase our customized

tours are required to pay a deposit when they book the tour and settle payment in full around 30 days prior to the departure date. The amount of deposit depending on the price of customized tour. We accept payment by cash, electronic payment system or credit cards. Any changes made to traveler particulars, departure date or destination of a confirmed booking prior to the scheduled departure date may be subject to the partial or full applicable surcharges and/or penalty fees imposed by travel providers and service fees charged by us. If a customer decides to cancel the booking, we may charge a cancellation fee ranging from the deposit paid up to the full cost of the tour depending on the number of days remaining prior to the departure, and refund the balance, if any, to the customer. Our customers are also free to decide whether to pay the gratuity to the tour guides, who are entitled to all gratuity received from our customers.

### ***Travel business process management***

Subject to the scope of services provided, our service fee charged is calculated based on variables such as the number of hours our service delivery team incurred in the course of provision of the travel business process management, the number of phone enquiries handled or the number of air tickets issued, plus a fixed monthly management fee which is determined based on the workload on required accounting and reporting service. We generally require customers to make full payment within 15 to 30 days of receipt of monthly invoice. We accept payment by bank transfer.

### **Seasonality**

The travel and tourism industry is inherently seasonal. Demand for our products and services will generally increase one to two months prior to holiday seasons such as Easter, spring break, school summer holidays, Christmas, New Year and Chinese New Year, thus our revenue are generally higher in the second half year. As such, our results of operations are subject to fluctuations due to seasonal factors and our financial performance during such periods may not accurately indicate our overall performance of the entire year.

## **MARKETING AND PROMOTION**

Our marketing strategy focuses on brand awareness and promotion of our travel products and services. Our total advertising and promotion expenses were approximately HK\$2.3 million, HK\$2.8 million and HK\$4.3 million for each of the years ended December 31, 2015, 2016 and 2017, respectively. The following are our key marketing initiatives to promote our business:

### **Media advertisement**

- ***Publications:*** We place advertisements on both local and national Canadian newspapers such as the Toronto Star and Singtao to provide information about our latest travel products and offers.
- ***Television and radio:*** We place commercials on various television and radio channels which we believe is effective for our brand to reach a large number of consumers in Canada.
- ***Sponsorship:*** We sponsor selected events such as the Miss Toronto Chinese pageant, the Princess Margaret Cancer Foundation and the Yee Hong Wellness Foundation Dragon

Ball Raffle by providing cash prizes, air tickets and/or hotel accommodation on a complimentary basis.

- ***Internet and social networks:*** We promote our travel products and services through our website at [www.toureast.com](http://www.toureast.com) and e-newsletters to our existing customers. We have also developed our corporate page on popular social networks such as Facebook with the goal of creating interaction and exchanges with customers, thereby enhancing our brand awareness and strengthening our corporate image.

### **Travel shows and industry trade conferences**

We participate in industry trade conference and organize travel shows regularly to promote our products and services to potential customers. Such marketing activities allow us to meet travel agents that are in need of supply of air tickets and travel business process management. We also host travel shows two to three times in a year in Toronto, especially before the launch of new package tours, to provide useful travel information to our potential customers.

### **Branch display**

Flyers are displayed at prominent areas of our retail branches. Brochures in English, French or Chinese with information of package tours are available for travelers to take and view.

### **Sales calls and visits**

Our business development team makes sales calls and visits regularly to travel agents to promote our air ticket distribution business and brief them on private fares offered to us by airlines.

### **Loyalty program**

We launched our existing loyalty program known as Tour East Points in 2009 for our travel agent customers. Members of Tour East Points would receive points for air tickets purchased from us. The level of points awarded varies and is dependent on several factors including (i) the destination; (ii) the airfare type (regular net fare, commissionable published fare or seat sales); and (iii) the air ticket class (economy class, business class or first class). Members can redeem various gift cards of notable shops such as Best Buy, Wal-Mart and Starbucks with the points. In the event that a booking has been canceled and no service fee has been collected (i.e. no revenue generated), the relevant points would be canceled.

### **Promotions**

For travel products and services, early-bird deals are offered to travelers who make bookings and pay deposits 60 to 90 days in advance of the scheduled departure date. Show day specials are offered to travelers who book our package tours at travel shows or at our branches on the day of travel shows. Further, we may offer a 5% discount on the full booking price to repeat customers, from time to time.

## **QUALITY CONTROL**

We believe that our ability to offer and deliver quality products and services is one of the major factors to our success. For our travel products and services, we obtain recommendations from local tourism authorities for ground operators. We then assess and evaluate each ground operator based on their service level, safety record, responsiveness, reputation, reliability, whether they hold required permits, licenses and approvals to operate their business and insurance policies to cover the travel services they will be providing to our customers. All ground operators engaged by us are required to strictly follow the agreed itineraries and carry out the tours in accordance with our required safety standards and code of conduct. We also require the ground operators engaged by us to provide their comments on each tour and relay to us any feedback provided by our customers and the tour guides. We assess the performance of the ground operators on a continuous basis by reviewing comments and feedback from our customers.

For our travel business process management, a designated account manager will review service level reports on a daily basis in order to monitor the productivity of our travel business process management team. Meetings are also conducted to discuss any issues in connection with the delivery of agreed service levels regularly. Further, the designated account manager will perform call calibration by listening to recordings of customer calls made by our travel business process management team to ensure the quality of their performance.

Further, our travel technology services team is responsible for the quality of the new software we develop and the existing software we modify for travel agents by conducting a series of internal tests, user testing and bug fixing before deploying the software to our customers.

## **CUSTOMER CARE AND COMPLAINT HANDLING**

### **Customer satisfaction and evaluation**

We are committed to providing high quality products and services to our customers. We have provided various means such as customer evaluation form, phone interviews, customer service hotlines and our corporate page on popular social networks, for our customers to make enquiries and provide feedback.

### **Complaint handling**

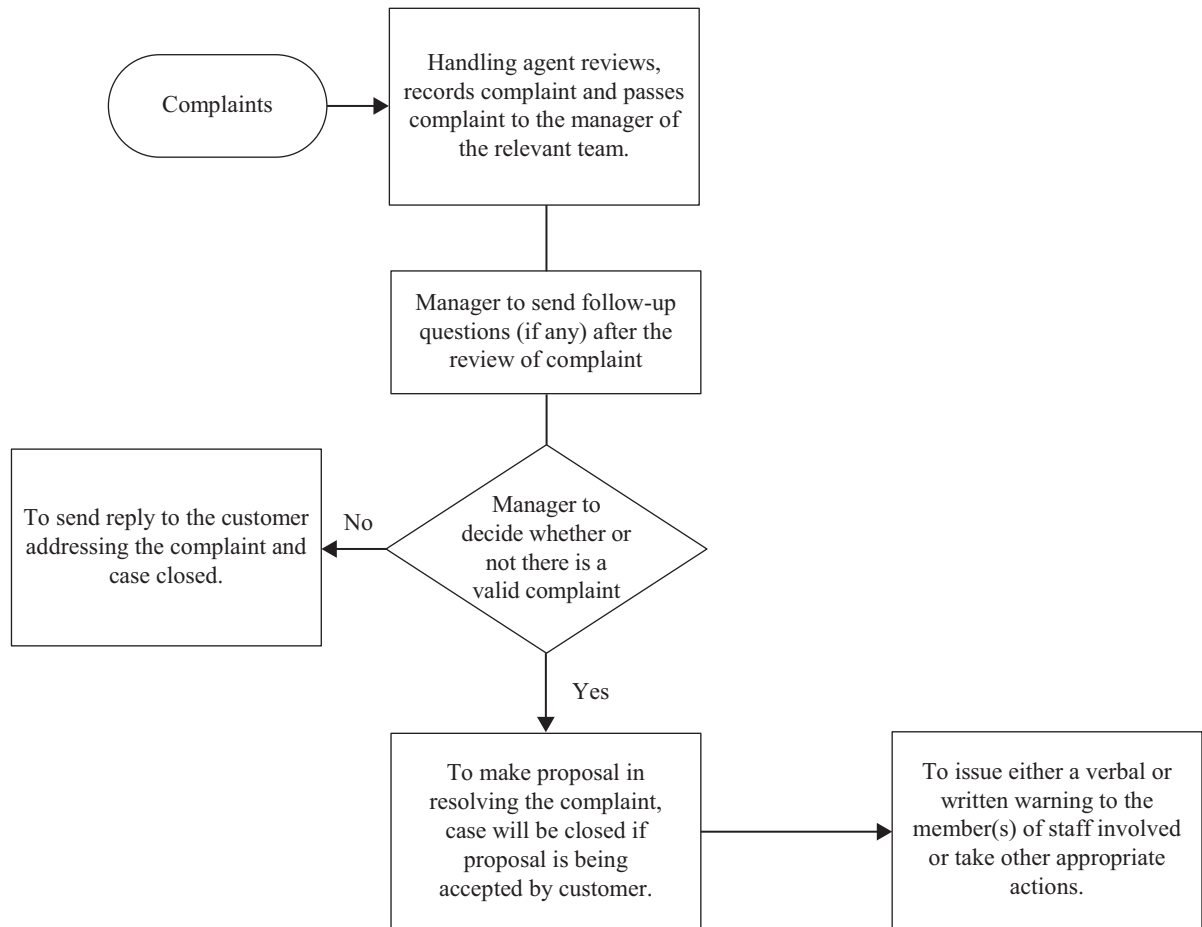
Customer satisfaction is our core value and we treat our customers' feedback and suggestion seriously. We have in place a complaint handling system which strives to resolve any dissatisfaction by our customers in an amicable manner acceptable to our customers.

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## BUSINESS

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The following sets out the process flow of our procedures on handling customer complaints in general:



For travel products and services, our customers and the travelers may lodge their complaints with TICO or OPC and BCPC or to us directly. We handle complaints made directly to us and those made through TICO, OPC or BCPC with the same process. In the event that the complaints are related to our travel agent customer or supplier, our customer or supplier would resolve the complaints.

During the Track Record Period, we have received a total of 57, 46 and 66 complaints. All complaints received by us directly and from TICO or OPC or BCPC have been resolved as of the Latest Practicable Date.

Our Directors confirm that none of the complaints led to litigations which had resulted in any material adverse effect on our business, results of operation or financial position during the Track Record Period.

## INFORMATION TECHNOLOGY

### Information technology infrastructure and technical know-how

We have built a solid information technology infrastructure comprising computer hardwares, operating systems, enterprise software application, data management and storage, networking and

telecommunication platforms, and system integration services to support our daily operations. Our travel technology services team possesses advanced skills and strong capabilities on (i) the designing, installing and integrating of real-time interface to sync with different GDSs; (ii) developing software that supports shopping and booking platforms, data management and payment gateway of travel agents according to their business needs; (iii) website design; and (iv) cloud computing.

For air ticket distribution, we have developed in-house softwares including airline contract management system to provide functions for uploading, searching, viewing and retrieval of airline contracts; auto-ticketing system to provide functions for scanning GDS queues for new passenger name record; importing and verifying booking information, creating ticketing instruction and monitoring ticket issuing status; and passenger name records importing system to provide functions for analyzing and importing passenger name record, determining fare type for selection, retrieving markup and commission from the air pricing control system, applying payment and sending passenger name record to auto-ticketing system for ticket issuing. We have also developed travel products and services control system provides functions for controlling the inventory, pricing and selling of join-in coach tours and group travel tours. Controlling attributes include tour price, date, duration, group size, availability, itinerary, optional services and selling groups. Our tour booking platforms retrieve detailed information from this system to provide real-time capability in searching, booking, and confirmation.

#### **Travel technology services team**

Our travel technology services team is responsible for conducting all our software development work from business requirements and analysis, software design and programming, user testing to bug fixing. They also consistently plan version upgrades and enhancements to ensure the software developed by us are of high quality, usability and viability.

Our travel technology services team comprises 10 staff specialized in software development, system integration and web development and website design, out of which four staff have over 25 years of experience and four staff have over 15 years of experience in the relevant field. The team is led by Mr. Jason Kam On Ho who has over 30 years of experience in software development and project management and has been with us for five years.

#### **MARKET AND COMPETITION**

We believe that there is no single company that has the same breadth and strength as our Group in terms of the diversified products and services across the combination of air ticketing distribution, travel business process management and travel products and services in Canada.

According to the CIC Report, the air ticket consolidation market in Canada is concentrated with the top three air ticket consolidators, in aggregate, accounting for approximately 82.8% of the market in terms of sales volume of air tickets in Canada in 2017. We compete primarily with other travel agents on customer service, competitive pricing and economies of scale. The entry barrier of air ticket midstream industry is considered high by our Directors as relationship with airlines, IATA/ARC accreditation, substantial capital investments, travel technology and industry know-how are essential to be successful in the market and it is difficult for new entrants to establish in these aspects in a short period of time.

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## BUSINESS

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According to the CIC Report, the travel business process management industry in Canada is fairly consolidated with the top three service providers, in aggregate, accounting for approximately 33.3% of the market in terms of total service fee received in Canada in 2017. We compete primarily with other travel business process management providers on travel technologies know-how, domain knowledge in travel transaction processing and customer services. The entry barriers of travel business process management mainly include capacities in information technology infrastructure, industry know-how, efficiency and accuracy in fulfilling the service requirement, industry reputation and proven track record.

According to the CIC Report, the travel products and services industry is highly fragmented with thousands of travel agents operating within the travel and tourism industry in Canada in 2017. Furthermore, online travel agents have provided another form of competition where consumers can book their desired travel products and services online. We compete primarily with other travel agencies on the travel product and service offerings, competitive pricing and customer services. The entry barrier is relatively low for travel product and service providers.

According to CIC, the intensified competition from online travel agents, airlines and accommodation booking websites in recent years makes it difficult for traditional offline travel agents to maintain sustainable and rapid growth. However, the intensified competition from online travel agents also create opportunities for our air ticket distribution and travel business process management businesses. The rise of online travel agents is fueling stiff competition on “best price guarantee” of travel products and services offered by them to travelers, which accounted for substantial portion of their customer base. As such, online travel agents often choose to cooperate with air ticket distributors like us to obtain the travel products and services at competitive prices, which contributed to the growth of our air ticket distribution business segment. In fact, online travel agents are one of the major types of our customers. In addition, as the competition of online travel agents intensifies, more online travel agents begin to rely on travel business process management providers to carry out certain non-core business processes so that they can reduce cost, increase efficiency and focus on their core competencies. As a result, the demand for travel business process management has increased, spurring the development of our travel business process management business with a continuing growth in segment revenue during the Track Record Period. Such business opportunity also allowed us to tap into the online travel agents market for the distribution of air tickets and sales of travel product and services.

## INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had registered eight trademarks and two domain names in Canada and one trademark in Hong Kong which are material to our business. We are in the process of registering two trademarks in Canada and the United States. For further details of our intellectual property rights, please refer to the section headed “B. Information about our business — 2. Our intellectual property rights” in Appendix IV to this prospectus.

We recognize the importance of protecting our intellectual property rights. We have adopted internal measures for overall source code protection and confidentiality management which specifies the relevant responsibilities of our employees, customers and other third parties when handling our proprietary and confidential information. Further, our information technology

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## BUSINESS

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workforce employees are generally required to enter into standard employment contracts, which contain provisions requiring our information technology workforce employees to keep confidential our proprietary information and business secrets which they have knowledge or access to. Our Directors believe that we have taken all appropriate actions to protect our intellectual rights. During the Track Record Period and as of the Latest Practicable Date, we had not received any material claim against us nor were we aware of any pending or threaten claims against us in relation to intellectual property rights infringement, or restrictions with respect to our uses of intellectual property rights.

### PROPERTIES

As of the Latest Practicable Date, we did not own any property and we had leased nine properties in Canada, located in the Greater Toronto Area, Calgary, Montreal and Vancouver for use as our head office, regional offices and retail branches and one leased property in New York for use as our regional office with an aggregate gross floor area of approximately 21,011 square feet.

For each of the years ended December 31, 2015, 2016 and 2017, the total amount of rent in connection with our leased properties were approximately HK\$2.7 million, HK\$2.7 million and HK\$2.5 million, respectively.

The properties leased by our Group are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance, which require a valuation report with respect to all of our interests in land or buildings.

The following tables set forth our leased properties in Canada and New York during the Track Record Period, the usage, gross floor area and expiry of the lease agreements for the respective properties.

#### Leased properties in Canada

		Approximate gross floor area (sq.ft.)	Usage	Expiry of current lease agreement
1.	15 Kern Road, Toronto, Ontario, Canada M3B 1S9 <sup>(Note 1)</sup>	14,490	Head office	May 6, 2021
2.	Unit 173, 4438 Sheppard Avenue E, Scarborough, Ontario, Canada M1S 5V9 <sup>(Note 1)</sup>	295	Retail branch	December 31, 2020
3.	Ground Floor, Unit G1, 4168 Finch Avenue E, Scarborough, Ontario, Canada M1S 5H6 <sup>(Note 1)</sup>	493	Retail branch	December 31, 2020
4.	Unit 104, 10 Ravel Road, North York, Ontario, Canada M2H 1S8	558	Retail branch	December 31, 2020
5.	Unit 16, 328/333 Highway 7 East, Richmond Hill, Ontario, Canada L4B 3P7	480	Retail branch	November 30, 2019

## BUSINESS

	Approximate gross floor area (sq.ft.)	Usage	Expiry of current lease agreement
6. Unit 22A, 1177 Central Parkway West, Mississauga, Ontario, Canada L5C, 4P3	564	Retail branch	February 28, 2020
7. 408-5900 No. 3 Road, Richmond, British Columbia V6X 3P7	998	Regional office	October 31, 2019
8. Suite 735, 2000 Peel Street, Montreal, Québec H3A 2W5	1,653	Regional office	January 31, 2020
9. Suite 105 138-18th Avenue SE, Calgary, Alberta, Canada T2G 5P9	750	Regional office	March 31, 2019
10. 123-3255 Highway 7 East Unit #125, Markham, Ontario, Canada L3F 3P9 (Note 2)	603	Retail branch closed	August 31, 2016
11. 23, avenue de Viger Ouest, Montreal, Québec H2Z 1E6 (Note 3)	1,185	Retail branch closed	March 31, 2017
<b>Total</b>	<b><u>22,069</u></b>		

*Notes:*

(1) For further details, please refer to the section headed “Connected Transactions” in this prospectus.

(2) Our branch office in Markham, Ontario was closed in August 2016 as the lease expired.

(3) Our branch office in Montreal was closed in October 2016 due to a fire accident in a neighboring building.

### Leased property in New York

<u>Office</u>	Approximate gross floor area (sq.ft.)	Usage	Expiry of current lease agreement
2 Mott Street 6 Floor, Unit 608 New York United States	730	Regional office	November 30, 2018

## INSURANCE

We maintain a range of insurance policies to ensure our potential risks or losses arising from our business operation are indemnified. For further details of the associated risks, please refer to the section headed “Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be adequate to cover all losses that may occur” in this prospectus.

## BUSINESS

Below are major insurance policies taken out by us at of the Latest Practicable Date:

Type of insurance	Coverage	Maximum liability covered
General liability and third party insurance	Compensation for, among other things, equipment breakdown, loss caused by earthquake and flood, and damage to hired automobile	Up to CAD5,000,000 in aggregate
Professional liability insurance	Liabilities arising from our business operation	Up to CAD5,000,000 in aggregate

In addition, some provinces, such as British Columbia, Ontario and Québec, have established specific travel compensation funds to compensate consumers who do not receive their travel services and to protect them against fraud. Please refer to “Regulatory Overview — Overview of the Relevant Laws and Regulations in Canada — Compensation funds” in this prospectus.

Our Directors are of the view that our current insurance coverage is sufficient and in line with the industry norm. We will continue to review our insurance policies from time to time to make sure our insurance coverage is adequate for our existing exposure. During the Track Record Period, we do not experience any significant damage to our business operations nor material insurance claim.

## EMPLOYEES

As of December 31, 2017, we had a total of 139 employees, of which 136 are in Canada and three are in the United States. The following table sets forth a breakdown of the number of employees by function:

<u>Function</u>	<u>Number of employees as of December 31, 2017</u>
Directors and general administration	6
Finance, reporting and settlement	21
Human resources and internal audit	1
Travel technology services	10
Marketing and advertising	2
Travel business process management	53
Ticket service operations	20
Tours operations	26
<b>Total:</b>	<b>139</b>

## Recruitment

We believe that our ability to recruit and retain experienced and skilled labor is key to our growth and development. In order to cope with our expansion, we will continue to look for suitable and talented employees to join our Group. Our recruitment is based on a number of factors including qualification, technical know-how, industry knowledge and experience, teamwork, personality and initiative of the candidates. We primarily recruit our employees through recruitment agencies and place advertisements in newspapers and online employment platforms.

**Remuneration**

Our success depends on ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based bonuses and other incentives. We generally enter into standard employment contracts with our employees. The remuneration package offered to our employees typically includes basic salary, discretionary bonuses and medical benefits. In general, we determine our employees' salary based on their qualifications, experience and capability. We conduct annual performance reviews to assess the performance of our employees which forms the basis of our decisions with respect to salary adjustments, bonuses and promotion.

For the years ended December 31, 2015, 2016 and 2017, our employee benefit expenses amounted to approximately HK\$50.4 million, HK\$52.6 million and HK\$55.4 million, respectively.

**Training**

We have adopted a training program, pursuant to which employees regularly receive training from management or external consultants on technology, regulations and knowledge. It is our Directors' intention to nourish talents and strengthen their loyalty through sponsoring them with necessary trainings. All new joiners are required to attend introduction programs to get familiar with our Company, our services as well as work safety standards.

**Employee Relations**

None of our employees are currently represented by labor unions. We believe that we maintain good working relationships with our employees. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any strikes or any labor disputes with our employees which would result in a material adverse effect on the business operation, results of operations or financial condition of our Group.

**HEALTH AND WORK SAFETY**

We endeavor to ensure our employees are provided with a safe working environment. We have a health and safety policy and have implemented various measures at our head office, regional offices and retail branches to promote occupational health and safety and to ensure compliance with applicable laws and regulations. We conduct health and safety on-the-job training for all our new employees as and when appropriate for continuous improvement. We also publish bulletins with occupational health and safety guidelines, rules and procedures to remind and promote the importance of safety in the workplace at all times and maintain an internal record of workplace accidents.

We are subject to certain applicable health and work safety laws and regulations in Canada and the United States. To ensure compliance with the relevant laws and regulations, we have set up joint health and safety committees to review health and safety matters from time to time to oversee safety in the work environment, review any recent workplace accidents and to design any required remedial actions. As part of our internal reporting protocol, any workplace accidents, identified cases of occupational diseases and health and safety incidents are recorded and kept on file.

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## BUSINESS

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During the Track Record Period and up to the Latest Practicable Date, we did not have any material accidents in the course of our operations nor any accidents related to the health or safety of our employees and we had not received any claims for personal or property damage by our employees nor paid any compensation as a result. As advised by our Canadian legal advisors and U.S. legal advisors, we are not aware of any material breach of the relevant occupational health and safety laws and regulations applicable to our business in all material respects.

### LICENSES, APPROVALS, PERMITS AND ACCREDITATIONS

#### Licenses, approvals and permits

As of the Latest Practicable Date, we had obtained the following licenses, permits and approvals which are material to our business operation:

	<u>Issuing authorities</u>	<u>License/ permit / approval</u>	<u>Holder</u>	<u>License No.</u>	<u>Date of Grant / Registration</u>	<u>Expiry date for existing license</u>
1.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	1616280	March 31, 2018	March 31, 2019
2.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	1631281	March 31, 2018	March 31, 2019
3.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	4061339	March 31, 2018	March 31, 2019
4.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	4061347	March 31, 2018	March 31, 2019
5.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	4671319	March 31, 2018	March 31, 2019
6.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	4671327	March 31, 2018	March 31, 2019
7.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	50012021	March 31, 2018	March 31, 2019
8.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	50013838	March 31, 2018	March 31, 2019
9.	Travel Industry Council Of Ontario	TICO Business Registration Certificate	Tour East Holidays (Canada) Inc	50015827	March 31, 2018	March 31, 2019

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## BUSINESS

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	<u>Issuing authorities</u>	<u>License/ permit / approval</u>	<u>Holder</u>	<u>License No.</u>	<u>Date of Grant / Registration</u>	<u>Expiry date for existing license</u>
10.	Office de la Protection du Consommateur	OPC Travel Agency Licence	Arseneau, Philippe	702246	August 1, 2017	July 31, 2018
11.	Consumer Protection BC	Mixed Travel Agent/ Wholesaler Licence	Tour East Canada	3193	April 1, 2018	March 31, 2019

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, permits and approvals which are necessary to our business operations and we are not aware of any legal impediment to the renewal of the material licenses, permits and certificates of our Group.

### **IATA accreditation**

IATA is the trade association for the world's airlines, which account for carrying approximately 83% of total available seat kilometers air traffic in the world. Only an accredited travel agent is authorized to issue air tickets on behalf of IATA member airlines. To become an IATA accredited travel agent, an applicant must satisfy the standards and criteria established by IATA, which include (i) the possession of the appropriate official licenses to trade and offer travel agent services in its local jurisdiction; (ii) meeting the financial requirements pursuant to the standards established from time to time by IATA; (iii) employing travel staff members qualified and competent to sell international air transportation and issue travel documents; (iv) maintain a place of business in accordance with the applicable laws in its local jurisdiction; and (v) making adequate provision for the safe custody of documents supplied by IATA members and the security of premises in accordance with the standards set by IATA.

Tour East Canada has been an IATA accredited agent in Canada since 1977. Our Directors confirm that we had complied with all the standards and criteria prescribed by IATA and maintained our IATA accreditation during the Track Record Period and up to the Latest Practicable Date.

### **ARC accreditation**

ARC is a company which provides air ticket transaction settlement services between airlines and travel agents that sell their products in the United States. Only an ARC accredited travel agent is authorized to issue air tickets in the United States on behalf of ARC member airlines. To become an ARC accredited travel agent, an applicant must satisfy the standards and criteria established by ARC, which include (i) being located in and authorized to do business in the United States; (ii) providing a bond, letter of credit or cash deposit in the minimum amount of US\$20,000; (iii) fulfilling and meeting specific personnel requirements established from time to time by ARC; and (iv) meeting the ticketing security standards established from time to time by ARC.

Tour East New York has been an ARC accredited travel agent in the United States since 1981. Our Directors confirm that we have complied with all the standards and criteria prescribed by ARC and maintained our ARC accreditation during the Track Record Period and up to the Latest Practicable Date.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Legal proceedings

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, none of the members of our Group was engaged in any litigation, arbitration or claim of material importance, and our Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against our Group which, in the opinion of our Directors, would have a material adverse effect on our financial condition or results of operations.

#### Legal compliance

To the best knowledge of our Directors, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature. Having consulted with our Canadian legal advisors and our U.S. legal advisors, there are no known facts or circumstances related to compliance with any material laws and regulations applicable to our business operations in Canada and the U.S., respectively, during the Track Record Period and up to the Latest Practicable Date, which are likely to give rise to material liability.

### RISK MANAGEMENT AND INTERNAL CONTROL

Our Board recognizes the significance of risk management and internal control and takes the responsibility to closely monitor our risk management and internal control system to identify internal control deficiencies and implement additional measures so as to maintain sound and effective internal controls on our business operation. Below are the highlights of our risk management and internal control system:

- ***Internal audit function:*** we put in place an internal audit charter that clearly states the objectives, organization, roles and responsibilities, working scope and procedures of our internal audit function. Results of our internal assessments, internal inspections and internal surveys would be reported to the audit committee of our Board, which oversees our financial reporting, risk management and internal control systems.
- ***Internal control policies and procedures:*** we have adopted various policies and procedures to enhance our internal controls, including (i) staff manual established by our management which outlines our guidance and expectations in terms of conduct and integrity; (ii) controls over segregation of duties, approvals and authorizations; and (iii) conflict of interest monitoring and reporting policies.

- ***Protection of personal information:*** in order to avoid any breach or misappropriation of personal information, we have adopted a data privacy policy. Our employees are required to keep confidential personal information they have knowledge or access to.
- ***Whistleblowing policy:*** we have adopted a whistleblowing policy offering anonymous channels for our employees, customers, suppliers and other stakeholders to report any suspected case of misconduct;
- ***Compliance with the Listing Rules and relevant laws and regulations:*** we have adopted a written compliance manual to ensure that we are in compliance with all relevant rules, laws and regulations including, among others, the Listing Rules. We have also assigned responsibility for compliance with our statutory obligations to our company secretary and our chief financial officer; and
- ***Information disclosure:*** we have put in place a framework to ensure our compliance with the disclosure requirements under the Listing Rules, the SFO and other applicable laws and regulations after the Listing. In particular, this framework sets out the internal control measures for the handling and dissemination of inside information in a timely manner so as to allow all stakeholders to apprehend the latest position of our Group.

Having considered our risk management and internal control measures we have put in place, our Directors are of the view that we had implemented adequate corporate governance measures to protect the interests of our Shareholders.

### **Foreign exchange risk control**

Our revenue are mainly denominated in CAD. However, the settlement of substantial portion of our tour costs, such as mainly fees for ground operators fees, are denominated in USD. Such ground fees mainly included hotel accommodation, local transportation, attraction, and other activities and tour guide services for our package tours. We are therefore exposed to foreign exchange risk primarily with respect to USD.

We have adopted foreign exchange risk management procedures to manage our exposure to foreign exchange risk in relation to USD. Our goal is to control our foreign exchange risk to an acceptable level by ensuring that we are able to obtain sufficient amount of USD at acceptable exchange rate for meeting our payment obligations arising from business operations. The booking of our package tours is generally confirmed around two weeks to four months before departure, whereas the confirmation for customized tours varies depending on the customers' desired itinerary. Hence, we estimate land costs based on the estimated sales amount for a corresponding period taking into account the actual enrolment data to ensure that such estimation is fairly accurate. We may then purchase USD ahead according to such estimation if the exchange rate is acceptable. This policy enables us to determine the appropriate amount of USD to procure in order to sufficiently cover our payment obligation while preventing us from carrying excessive cash balance of USD. Our Directors consider our foreign exchange risk control measures in line with market practice.

We generally price our travel products and services on a cost-plus basis, taking into account the cost of travel elements, including the exchange rate of USD. We review the prices of our travel

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## **BUSINESS**

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products and services on a regular basis. This allows us to adjust the prices of our travel products and services in response to any unfavorable fluctuation in the exchange rate of USD. Our Directors consider that our pricing policy together with our foreign exchange risk management procedures enable us to, in the long run, effectively manage the impact of potential increase in land costs denominated in USD caused by unfavorable fluctuation in exchange rate.