You should read the following discussion and analysis of our financial condition in conjunction with our consolidated financial information included in the Accountant's Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus. Discrepancies between totals and sums of amounts listed in any table or elsewhere in this prospectus may be due to rounding.

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. 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 of air tickets in 2017, and we also ranked top three with a market share of approximately 14.9% in travel business process management market in Canada, in terms of sales revenue in 2017. For detailed discussion of our business, please refer to the section headed "Business" in this prospectus.

For the years ended December 31, 2015, 2016 and 2017, our revenue amounted to approximately HK$136.2 million, HK$153.2 million and HK$153.9 million, respectively, which was derived from (i) the air ticket distribution segment, which contributed approximately 55.3%, 62.0% and 60.4% of our total revenue, respectively; (ii) the provision of travel business process management, which contributed approximately 15.5%, 15.6% and 18.7% of our total revenue, respectively; and (iii) the sales of travel products and services, which contributed approximately 29.2%, 22.4% and 20.9% of our total revenue, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in Ontario, Canada on August 18, 2017 and registered by way of continuation in the Cayman Islands with limited liability from October 20, 2017. As a result of the Reorganization, our Company has become the holding company of the companies comprising our Group. For further details of our Reorganization, please refer to the section headed "History, Reorganization and Corporate Structure" in this prospectus. The consolidated financial information in the Accountant's Report set out in Appendix I to this prospectus has been prepared as if the current group structure had been in existence throughout the periods presented.

Our consolidated financial information has been prepared in accordance with IFRSs and applicable disclosure requirements of the Listing Rules and the Companies Ordinance. Our consolidated financial information is presented in HK$, unless otherwise stated.

Details regarding the basis of presentation and preparation of our consolidated financial information are set out in Notes 1 and 2 to the Accountant's Report in Appendix I to this prospectus.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been and will continue to be affected by a number of factors, some of which are beyond our control, including those factors set out in the section headed "Risk Factors" in this prospectus and those set out below. The key factors affecting our results of operations include, among other factors, the following:

Market competition and changing market conditions

Our revenue is subject to declines in or disruptions to the global travel and tourism industry, which is highly competitive, particularly the Canadian market where we conduct substantially all of our business operations. According to the CIC Report, the three largest licensed travel agents engaging in the air ticket consolidation in Canada accounted for approximately 82.8% market share in terms of sales volume. As we principally engaged in air ticket distribution, travel business process management and the provision of travel products and services, we mainly compete with other licensed travel agents in Canada which offer the same products and services to their customers. We also face competition from airlines and other travel agents in and outside of Canada, which offer similar products and services directly to customers or over the Internet. If we are unable to offer quality products and services to meet our customers' demands with competitive prices and changing needs as a result of changing market conditions or consumer preferences and taste, we may not be able to maintain our competitiveness in the industry and our market share, which could in turn materially and adversely affect our business, financial condition and results of operations.

Reliance on our key customers

We have derived and believe we will continue to derive in the near term a substantial portion of our gross sales proceeds from our single largest customer, Customer A, which we distribute air tickets and provide travel business process management to and accounted for approximately 42.2%, 41.3% and 43.4% of our total gross sales proceeds for the years ended December 31, 2015, 2016 and 2017, respectively. A number of factors could cause us to lose business or revenue from our major customers, and some of these factors are not predictable and are beyond our control. For example, the customer may demand price reductions or reduce purchase volumes, change its outsourcing strategy, shift work in-house or reduce previously forecasted demand. The customer may also be acquired by a company with a different outsourcing strategy that intends to switch to another service provider or return work in-house. Our customers may not continue their business with us, whether on similar terms to the existing arrangement or at all. In addition, we usually are not the exclusive outsourced service provider for them. Any decision by our key customers to reduce or discontinue its business with us would adversely affect our business, financial condition and results of operations.

Reliance on our key suppliers

We are dependent on our third-party suppliers primarily consisting of travel providers, mainly being airlines and ground operators, and GDS providers. Our five largest suppliers during the Track Record Period were airlines, transactions with which amounted to approximately 68.0%, 64.4% and 62.9% of our total gross cost of procurement for the years ended December 31, 2015, 2016 and 2017, respectively.

Any interruption or termination in the services or deterioration in the performance of our GDS providers and travel providers could seriously disrupt our business, our service levels, our reputation and negatively impact our results of operations. If our arrangements with these third-party suppliers are terminated and we are unable to source alternative service providers and/or negotiate beneficial commercial terms with our new suppliers, our business operations and profitability may be adversely affected.

Moreover, 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, among others, the level of value or volume of flown air tickets sold by us and period-to-period growth of our performance target, subject to a maximum commission rate set by respective airlines. The tiered commission structure is retroactive which means the accelerated commission rate that we are able to achieve is applied to all sales value or sales volume of air tickets. 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 total revenue from our air ticket distribution segment, respectively. If we cannot meet the periodic minimum performance target as required by the airlines or the tiered commission structures and/or mechanism are changed or yield rates are decreased, our financial performance will be adversely affected.

Changes in economic conditions in Canada and the United States

We derive our revenue from business operation in Canada and the United States. Any downturn in the economy of Canada and the United States could have a material adverse effect to our business and results of operations as the per capita disposable income and the household spending on travel for citizens in Canada and the United States may be adversely affected, which would in turn reduce the demand for our products and services.

Seasonality

We experience fluctuations in our financial results due to the inherent seasonal nature of the travel and tourism industry. Demand for our products and services will generally increase one to two months prior to holiday periods such as Easter, spring break, schools summer holiday and

Christmas, the New Year and Chinese New Year. Accordingly, during the Track Record Period, our revenue demonstrated a seasonal pattern. We normally achieved higher revenue in the second half of the year. We believe that the higher revenue generated in the second half of the year was attributable to the willingness of outbound travelers to travel overseas during such period, coinciding with the public holidays and/or school holidays. In light of such seasonal patterns of our business, our revenue and results of operations are likely to continue to fluctuate due to seasonality, and thus the results for any period in a year are not necessarily indicative of the full-year results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial statements requires us to make judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on, among other things, our experience, our observance of trends in the industry, and information available from outside sources, as appropriate. There can be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items.

We believe the following accounting policies involve the more significant judgments and estimates used in the preparation of our financial statements. Details regarding our significant accounting policies and critical accounting estimates and judgments are set out in Notes 2 and 4 to the Accountant's Report in Appendix I to this prospectus.

Revenue recognition

Our revenue mainly represents margin income from the selling of air tickets, incentive commission from airline suppliers, travel business process management fees, revenue from travel agents, sales of package tours and margin income from sales of other travel products and services. Specifically, revenue is recognized as follows:

- Margin income from the selling of air tickets is recognized at the time of ticketing of the travel arrangement. Incentive commissions from airline suppliers are recognized based on management's estimate of the expected achievement of specific targets and thresholds specified in contracts with airline suppliers;

- Travel business process management fees are recognized as services are performed;

- Revenue from sales of company-operated package tours is recognized when the services are rendered by our Group on a straight-line basis over the duration of the tours; and

- Margin income from sales of other travel products and services and GDS incentive income are recognized upon booking.

We receive incentive commission from certain airline suppliers for air ticket distribution. The determination of the amount of incentive commission requires estimation of the likelihood of achieving various targets, including transaction volumes and growth targets being achieved under these contracts. The incentive commission recognized for each period is the total anticipated revenue earned based on the achievement of the targets explained above. We use estimates and assumptions based on experiences and historical results in assessing the amount of incentive commission earned during the period. As of December 31, 2015, 2016 and 2017, we have recognized incentive commission from airline suppliers of approximately HK$45.9 million, HK$57.9 million and HK$54.6 million, and incentive commission receivables of approximately HK$19.2 million, HK$24.7 million and HK$27.3 million, respectively. For further details regarding our accounting estimates relating to revenue recognition for incentive commission, please refer to Note 4(a) to the Accountant's Report.

Foreign currency translation

The functional currency of our Company is CAD. Our consolidated financial information is presented in HK$, which is our Group's presentation currency. During the Track Record Period, the exchange rate of CAD against HK$ has been fluctuating. The exchange rate of CAD against HK$ decreased from 6.68 as of December 31, 2014 to 5.60 as of December 31, 2015 and increased from 5.60 as of December 31, 2015 to 5.77 as of December 31, 2016, and further increased to 6.23 as of December 31, 2017. Transactions in foreign currencies are translated at the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income within "other gains/(losses), net". Accordingly, we recognized other comprehensive income of approximately HK$8.5 million for the year ended December 31, 2015 mainly because we recorded net liabilities as of December 31, 2015 whereas the exchange rate of CAD against HK$ decreased from December 31, 2014 to December 31, 2015. We recognized other comprehensive losses of approximately HK$1.6 million and HK$0.8 million for the years ended December 31, 2016 and 2017, respectively, which were mainly the results of the increasing trend of exchange rate of CAD against HK$ from December 31, 2015 to December 31, 2016 and further to December 31, 2017 and the decrease in the amount of net liabilities as of December 31, 2016 as compared to December 31, 2015 and the turnaround from net liabilities as of December 31, 2016 to net assets as of December 31, 2017. For further details regarding our accounting policy relating to foreign currency translation, please refer to Note 2.5 to the Accountant's Report.

Income tax

Income tax expense comprises current and deferred income tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where our Company and its subsidiaries operate and generate taxable income. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. For further details regarding our accounting policy relating to current and deferred income tax, please refer to Note 2.20 to the Accountant's Report.

We are subject to income taxes in Canada and the United States. Significant judgment is required in determining the provision for income taxes, as the ultimate tax determination of many transactions and calculations is uncertain during the ordinary course of business. Where the final tax outcome is different from the initial assessments, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made. For further details regarding our accounting estimates relating to income taxes, please refer to Note 4(b) to the Accountant's Report.

Financial Assets

Our financial assets mainly represent (i) loans and receivables comprise trade receivables, deposits and other receivables, amounts due from related companies, the restricted term deposit and cash and cash equivalents; and (ii) available-for-sale financial assets. We assess the financial assets at the end of each reporting period to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss for loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and the amount of the loss is recognized in profit and loss of the period in which the impairment occurs.

For further details regarding our accounting policy relating to, among others, classification, recognition, measurement, de-recognition and impairment of financial assets, please refer to Notes 2.9 and 2.11 to the Accountant's Report.

In addition, provisions for impairment of trade and other receivables are determined according to the evaluation of the collectability of these receivables, which normally requires significant judgment. In making such judgment, we consider a wide range of factors such as results of follow-up procedures performed, payment trends including subsequent payments and financial positions of the debtors. For further details regarding our accounting estimates relating to the provision for impairment of trade and other receivables, please refer to Note 4(c) to the Accountant's Report.

SUMMARY RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of comprehensive income for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Revenue	136,196	153,164	153,862
Cost of sales	(55,578)	(54,025)	(55,714)
Gross profit	80,618	99,139	98,148
Other income	—	—	15
Other gains/(losses), net	831	(53)	(808)
Selling expenses	(15,590)	(16,040)	(17,683)
Administrative expenses	(31,683)	(34,692)	(61,314)
Operating profit	34,176	48,354	18,358
Finance income	198	527	554
Finance costs	(14)	(819)	(1,015)
Finance income/(costs), net	184	(292)	(461)
Profit before income tax	34,360	48,062	17,897
Income tax expense	(8,871)	(13,064)	(5,532)
Profit for the year	25,489	34,998	12,365
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
— Currency translation differences	8,543	(1,622)	(761)
Other comprehensive income/(loss) for the year, net of tax	8,543	(1,622)	(761)
Total comprehensive income for the year attributable to owners of our Company	34,032	33,376	11,604
Non IFRS information:			
Profit for the year	25,489	34,998	12,365
Adjustments:			
Listing expenses	—	—	19,571
Deductible Listing expenses recognized in deferred income tax	—	—	(5,186)
Adjusted profit for the year*(Note)*	25,489	34,998	26,750

Note: We define adjusted profit as profit for the year excluding (i) Listing expenses and (ii) deferred income tax impact from the deductible listing expenses recognized in income tax expenses. The term of adjusted profit is not defined under IFRS. The adjusted profit is solely for reference and does not include the abovementioned items that impact our profit or loss for the relevant years.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenue

For the years ended December 31, 2015, 2016 and 2017, we derived our revenue from (i) the air ticket distribution segment, which contributed approximately 55.3%, 62.0% and 60.4% of our total revenue, respectively; (ii) the provision of travel business process management, which contributed approximately 15.5%, 15.6% and 18.7% of our total revenue, respectively; and (iii) the sales of travel products and services, which contributed approximately 29.2%, 22.4% and 20.9% of our total revenue, respectively.

The following table sets forth the components of our revenue by business segment for the periods indicated:

	For the year ended December 31,					
	2015		**2016**		**2017**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Air ticket distribution	75,287	55.3	94,930	62.0	92,863	60.4
Travel business process management	21,183	15.5	23,968	15.6	28,849	18.7
Travel products and services	39,726	29.2	34,266	22.4	32,150	20.9
Total	**136,196**	**100.0**	**153,164**	**100.0**	**153,862**	**100.0**

Air ticket distribution

We generate the majority of our revenue from air ticket distribution segment, which mainly represents revenue generated from selling of air tickets, incentive commission from airline suppliers and incentive income from GDS providers. Our revenue generated from air ticket distribution segment increased by approximately HK$19.6 million, or 26.0%, from approximately HK$75.3 million for the year ended December 31, 2015, to approximately HK$94.9 million for the year ended December 31, 2016, and decreased by approximately HK$2.0 million, or 2.1%, to approximately HK$92.9 million for the year ended December 31, 2017. The increase in our revenue generated from air ticket distribution segment during the year ended December 31, 2016 was primarily attributable to the increase in (i) margin income; and (ii) incentive commission from airline suppliers. The average rate of margin income from selling of air tickets were approximately 0.7%, 0.8% and 0.8% for the years ended December 31, 2015, 2016 and 2017, respectively. The decrease in our revenue generated from air ticket distribution segment during the year ended December 31, 2017 was primarily attributable to the decrease in incentive commission from airline suppliers. The following table sets forth the gross sales proceeds from our air ticket distribution segment and the breakdown of the respective revenue for the periods indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Gross sales proceeds	3,095,087	3,754,997	4,018,922
Cost of air tickets	(3,070,837)	(3,721,760)	(3,983,175)
Revenue from selling of air tickets	**24,250**	**33,237**	**35,747**
Representing:			
— Margin income from selling of air tickets	20,323	29,416	31,830
— Handling fees	3,927	3,821	3,917
Incentive commission from airlines	**45,918**	**57,861**	**54,583**
Incentive income from GDS providers	**5,119**	**3,832**	**2,533**
Total	**75,287**	**94,930**	**92,863**

Our revenue generated from selling of air tickets mainly represents (i) the margin income generated from selling of air tickets; and (ii) handling fees generated from providing post purchase services to our customers, such as alteration of traveler particulars, departure date or destination, processing refunds and seat selections. Our revenue generated from selling of air tickets increased by approximately HK$8.9 million, or 36.6%, from approximately HK$24.3 million for the year ended December 31, 2015, to approximately HK$33.2 million for the year ended December 31, 2016 and further increased by approximately HK$2.5 million, or 7.5%, to approximately HK$35.7 million. Our margin income as a percentage of the gross sales proceeds remained relatively stable during the Track Record Period. The increase of our revenue from selling of air ticket during the Track Record Period was primarily due to the increase in sales volume of air tickets. Our revenue generated from handling fees remained relatively stable at approximately HK$3.9 million, HK$3.8 million and HK$3.9 million for the years ended December 31, 2015, 2016 and 2017, respectively. If not taking into account the translation difference due to the depreciation of CAD against HK$, our revenue generated from handling fees increased for the year ended December 31, 2016, primarily attributable to the increased transaction volume of our air ticket distribution segment. The revenue generated from handling fees remained relatively stable for the years ended December 31, 2016 and 2017.

During the Track Record Period, the majority of our revenue from air ticket distribution segment was derived from incentive commission from certain airline suppliers for distributing air tickets, which amounted to approximately HK$45.9 million, HK$57.9 million and HK$54.6 million for the years ended December 31, 2015, 2016 and 2017, respectively, contributing approximately 61.0%, 61.0% and 58.8% to our total revenue from air ticket distribution segment for the respective periods. If not taking into account the translation difference due to the depreciation of CAD against HK$, our incentive commission from airline suppliers denominated in functional currency increased for the year ended December 31, 2016 and such increase was primarily due to (i) the increase in the sales volume and amount of air tickets distributed; and (ii) the increase in number of contracted airline suppliers with which we have incentive commission arrangements. The incentive commission from airline suppliers denominated in functional currency decreased by approximately HK$3.3 million for the year ended December 31, 2017, primarily due to the fact that some of five largest airline suppliers adjusted certain periodic performance targets under the incentive commission arrangements with increments up to approximately 165% as compared to the corresponding period in the year ended December 31, 2016, whereas some of them altered the structure or mechanism of their incentive commission arrangements offered to us. As a result, it has become more challenging for our Group to meet every periodic performance targets set by those airline suppliers in the year ended December 31, 2017 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 for our five largest airline suppliers decreased by approximately HK$4.7 million for the year ended December 31, 2016 to the year ended December 31, 2017. For details of our incentive commission arrangements with airline suppliers, please refer to the section headed "Business — Products and Services — Incentive commission arrangements from airline suppliers" in this prospectus.

We also receive incentive income from our GDS providers for using their GDSs to book travel products. Our incentive income from GDS providers decreased by approximately HK$1.3 million, or 25.5%, from approximately HK$5.1 million for the year ended December 31, 2015 to approximately HK$3.8 million for the year ended December 31, 2016, and further decreased by approximately HK$1.3 million, or 34.2%, to approximately HK$2.5 million for the year ended December 31, 2017. If not taking into account the translation difference due to the fluctuation of CAD against HK$, the decrease was mainly attributable to the fact that we forwent a portion of our incentive income from GDS providers to certain travel agent customers with an aim to increase our sales volume of air tickets to them, by helping to reduce the cost of procurement of these travel agent customers.

(i) Analysis by destination

The following table sets forth a breakdown of the sales volume and gross sales proceeds of our air ticket distribution segment by destination[1] for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Gross sales proceeds (HK$'000)	*Sales volume[3] ('000)*	*Gross sales proceeds (HK$'000)*	*Sales volume[3] ('000)*	*Gross sales proceeds (HK$'000)*	*Sales volume[3] ('000)*
Asia	1,367,992	219	1,591,315	297	1,843,716	373
Europe	751,764	114	815,511	148	857,056	142
North America	608,175	207	873,515	314	884,264	313
Others[2]	367,156	66	474,656	102	433,886	121
Total	**3,095,087**	**606**	**3,754,997**	**861**	**4,018,922**	**949**

Notes:

(1.) The breakdown was prepared based on travel destination without taking into account any transit point during the trip, while the destination for roundtrips represents the destination of the departure trip or the origin of the return trip.

(2.) Other destinations during the Track Record Period mainly included Australia, New Zealand, Central America, Africa, Middle East and South America, etc.

(3.) Sales volume represents the number of air tickets issued to individual passengers. Roundtrips and multiple transitions which involved multi-journeys issued under an air ticket to an individual would be counted as one.

During the Track Record Period, we mainly sold air tickets bound for Asia, Europe and North America. Our gross sales proceeds bound for Asia accounted for approximately 44.2%, 42.4% and 45.9% of our total gross sales proceeds of our air ticket distribution segment for the years ended December 31, 2015, 2016 and 2017 respectively.

Our gross sales proceeds from distributing air tickets bound for Asia increased by approximately HK$223.3 million, or 16.3%, from approximately HK$1,368.0 million for the year ended December 31, 2015, to approximately HK$1,591.3 million for the year ended December 31, 2016, and further increased by approximately HK$252.4 million, or 15.9%, to approximately HK$1,843.7 million for the year ended December 31, 2017. Our sales volume of air tickets bound for Asia increased by approximately 78,000 counts, or 35.6%, from approximately 219,000 counts for the year ended December 31, 2015 to approximately 297,000 counts for the year ended December 31, 2016, and further increased by approximately 76,000 counts, or 25.6%, to approximately 373,000 counts for the year ended December 31, 2017.

If not taking into consideration the translation difference due to the fluctuation of CAD against HK$, the increases in gross sales proceeds from distributing air tickets bound for Asia during the Track Record Period were mainly attributable to the increase in sales volume of our air ticket distribution segment outcast the decrease in the average selling price of air tickets bound for Asia.

Our gross sales proceeds from air ticket distribution segment bound for destinations other than Asia increased by approximately HK$436.6 million, or 25.3%, from approximately HK$1,727.1 million for the year ended December 31, 2015, to approximately HK$2,163.7 million for the year ended December 31, 2016. Our sales volume from air ticket distribution segment bound for destinations other than Asia increased by approximately 177,000 counts, or 45.7%, from approximately 387,000 counts for the year ended December 31, 2015, to approximately 564,000 counts for the year ended December 31, 2016. If not taking into consideration the translation difference due to the depreciation of CAD against HK$, such increases in gross sales proceeds were mainly attributable to the increased sales volume of air tickets bound for North America outcast the decreased average selling price.

Our gross sales proceeds and sales volume from air ticket distribution segment bound for destinations other than Asia remained relatively stable for the year ended December 31, 2017 and amounted to approximately HK$2,175.2 million and 576,000 counts respectively, as compared to approximately HK$2,163.7 million and 564,000 counts for the year ended December 31, 2016 respectively.

(ii) Analysis by location of customer

The following table sets forth a breakdown of the gross sales proceeds of our air ticket distribution segment by location of customer for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Gross sales proceeds (HK$'000)	*%*	*Gross sales proceeds (HK$'000)*	*%*	*Gross sales proceeds (HK$'000)*	*%*
United States	1,527,130	49.3	2,060,973	54.9	1,926,659	47.9
Canada	1,172,827	37.9	979,152	26.1	1,093,181	27.2
Hong Kong	78,971	2.6	575,958	15.3	526,827	13.1
China	316,159	10.2	126,002	3.4	469,100	11.7
India	—	—	12,912	0.3	3,155	0.1
Total	**3,095,087**	**100.0**	**3,754,997**	**100.0**	**4,018,922**	**100.0**

Note: The breakdown was prepared based on the locations of contracting parties.

Our customers from air ticket distribution segment mainly located in the United States, Canada and Asia, including Hong Kong, China and India. Our gross sales proceeds from sales to customers in the United States accounted for approximately 49.3%, 54.9% and 47.9% of our total gross sales proceeds of our air ticket distribution segment for the years ended December 31, 2015, 2016 and 2017, respectively. The increase in gross sales proceeds from air ticket distribution segment from customers located in the United States from the year ended December 31, 2015 to the year ended December 31, 2016 was because of the increase in revenue from Customer A, being our largest customer during the Track Record Period, which is located in the United States. Our gross sales proceeds from air ticket distribution segment from customers located in the United States remained relatively stable for the years ended December 31, 2016 and 2017 and amounted to approximately HK$2,061.0 million and HK$1,926.7 million respectively.

Our gross sales proceeds from air ticket distribution segment from customers located in Asia, which includes Hong Kong, China and India, accounted for approximately 12.8%, 19.0% and 24.9% of our total gross sales proceeds of our air ticket distribution segment for the years ended December 31, 2015, 2016 and 2017, respectively. The increase in gross sales proceeds from air ticket distribution segment from such was mainly due to increase in revenue from Customer G, Customer K and Customer J, which are located in Hong Kong, China and China respectively.

(iii) Analysis by customer type

Our customers primarily comprise travel agents and travelers. The following table sets out a breakdown of our gross sales proceeds of the air ticket distribution segment by customer type for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Gross sales proceeds HK$'000	*%*	*Gross sales proceeds HK$'000*	*%*	*Gross sales proceeds HK$'000*	*%*
Travel agents	2,971,875	96.0	3,645,063	97.1	3,918,528	97.5
Travelers	123,212	4.0	109,934	2.9	100,394	2.5
Total	**3,095,087**	**100.0**	**3,754,997**	**100.0**	**4,018,922**	**100.0**

Travel agents accounted for over 96.0% of our gross sales proceeds of the air ticket distribution segment during the Track Record Period. 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.

Our gross sales proceeds of the air ticket distribution segment from travel agents increased by approximately HK$673.2 million, or 22.7%, from approximately HK$2,971.9 million for the year ended December 31, 2015, to approximately HK$3,645.1 million for the year ended December 31, 2016, and further increased by approximately HK$273.4 million, or 7.5%, to approximately HK$3,918.5 million for the year ended December 31, 2017. The increase during the Track Record Period was in line with our revenue growth from selling of air tickets.

Our gross sales proceeds of the air ticket distribution segment from travelers decreased by approximately HK$13.3 million, or 10.8%, from approximately HK$123.2 million for the year ended December 31, 2015, to approximately HK$109.9 million for the year ended December 31, 2016, and further decreased by approximately HK$9.5 million, or 8.6%, to approximately HK$100.4 million for the year ended December 31, 2017. If not taking into account the translation difference due to fluctuation of CAD against HK$, the continuing decreases were primarily due to the decreased sales of our travel products and services to travelers.

Travel business process management

Our revenue generated from travel business process management segment mainly represents the fees charged for our provision of travel business process management, including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance, other administrative matters. Fee varies depending on the scope of services and level of services such as time cost incurred in delivering the services, transaction volume and our cost of services.

Our revenue generated from providing travel business process management increased by approximately HK$2.8 million, or 13.2%, from approximately HK$21.2 million for the year ended December 31, 2015, to approximately HK$24.0 million for the year ended December 31, 2016. Such increase was primarily attributable to, if not taking into account the translation difference due to the depreciation of CAD against HK$, revenue from a new travel business process management customer in 2016.

Our revenue generated from providing travel business process management further increased by approximately HK$4.8 million, or 20.0%, from approximately HK$24.0 million for the year ended December 31, 2016 to approximately HK$28.8 million for the year ended December 31, 2017. Such increase was primarily attributable to, if not taking into account the translation difference due to the appreciation of CAD against HK$, (i) revenue from seven new customers in 2017; and (ii) increased services volume and level in respect of our transaction processing services for our existing customers, which was partially offset by the decrease in revenue from one of our five largest customers whom we had been providing travel business process management since 2015. The provision of travel business process management with such customer ceased in 2017, which to the best knowledge of our Directors was a result of the commercial decision of such customer to outsource mid-office and back-office business process to another service provider.

The following table sets forth a breakdown of the revenue generated from travel business process management segment by type of service for the periods indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Transaction processing	18,739	19,565	23,612
Customer contact	798	2,601	3,315
Management fee	1,124	1,215	1,466
Others (Note)	522	587	456
Total	**21,183**	**23,968**	**28,849**

Note: Others mainly include chargebacks and software development.

Our air ticket transaction processing services include, among others, 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, processing and monitoring refund requests. Our revenue generated from providing transaction processing services increased by approximately HK$0.9 million, or 4.8%, from approximately HK$18.7 million for the year ended December 31, 2015 to approximately HK$19.6 million for the year ended December 31, 2016, and further increased by approximately HK$4.0 million, or 20.4%, to approximately HK$23.6 million for the year ended December 31, 2017. If not taking into account the translation difference resulting from the fluctuation of CAD against HK$, our revenue generated from sales of air ticket transaction processing services denominated in CAD in fact continued to increase during the Track Record Period as a result of (i) the increased transaction volume with existing customers; and (ii) sales to one new customer in 2016 and seven new customers in the 2017 , which was partially offset by the ceasing of provision of travel business process management to one of our five largest customers in 2017 whom we had been providing such services since 2015, which to the best knowledge of our Directors was a result of the commercial decision of such customer to outsource mid-office and back-office business process to another service provider.

With respect to our customer contact services, we charge service fees for providing customer contact services related to air tickets for other travel agents. Our revenue generated from providing customer contact services increased significantly by approximately HK$1.8 million, or 225.0%, from approximately HK$0.8 million for the year ended December 31, 2015 to approximately HK$2.6 million for the year ended December 31, 2016. Such increase was primarily reflecting sales to a new customer in 2016. Our revenue generated from providing customer contact services increased by approximately HK$0.7 million, or 26.9%, from approximately HK$2.6 million for the year ended December 31, 2016 to approximately HK$3.3 million for the year ended December 31, 2017. Such increase was mainly due to the increase in number of travel business process management customers.

The management fee mainly represents the fixed fee charged to customers for accounting and reporting support on a monthly basis. Our revenue generated from management fee for the years ended December 31, 2015 and 2016 remained relatively stable and amounted to approximately HK$1.1 million and HK$1.2 million respectively. Our revenue generated from management fee increased by approximately HK$0.3 million, or 25.0%, from approximately HK$1.2 million for the year ended December 31, 2016 to approximately HK$1.5 million for the year ended December 31, 2017. The increase in our revenue generated from management fee during the Track Record Period was because of an increase in number of customers.

Travel products and services

Our revenue generated from travel products and services segment mainly represents the revenue from customers for our package tours and other travel products and services. Our revenue generated from the sales of travel products and services decreased by approximately HK$5.4 million, or 13.6%, from approximately HK$39.7 million for the year ended December 31, 2015, to approximately HK$34.3 million for the year ended December 31, 2016, and further decreased by approximately HK$2.1 million, or 6.1%, to approximately HK$32.2 million for the year ended December 31, 2017. Such decreases during the Track Record Period were primarily attributable to the decreased sales volume of our travel products and services. The following table sets forth a breakdown of the revenue generated from sales of travel products and services by product type for the periods indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Package tours (Note 1)	36,702	30,719	28,197
Other travel products and services (Note 2)	3,024	3,547	3,953
Total	39,726	34,266	32,150

Note 1: Our revenue from sales of company-operated package tours are recognized on gross basis.

Note 2: Our revenue from sales of other travel products and services are recognized on net basis as we render our services as agent.

The following table sets forth a breakdown of the revenue generated from sales of package tours by destination for the periods indicated:

	For the year ended December 31,					
	2015		**2016**		**2017**	
	(HK$'000)	*%*	*(HK$'000)*	*%*	*(HK$'000)*	*%*
Asia	8,339	22.7	8,215	26.7	8,350	29.6
Canada	12,817	34.9	11,297	36.8	11,125	39.5
Europe	9,207	25.1	7,179	23.4	5,789	20.5
United States	4,568	12.4	3,085	10.0	2,813	10.0
Others	1,771	4.9	943	3.1	120	0.4
Total	36,702	100.0	30,719	100.0	28,197	100.0

Our revenue from sales of package tours decreased by approximately HK$6.0 million, or 16.3%, from approximately HK$36.7 million for the year ended December 31, 2015, to approximately HK$30.7 million for the year ended December 31, 2016, and further decreased by approximately HK$2.5 million, or 8.1%, to approximately HK$28.2 million for the year ended December 31, 2017. If not taking into consideration the translation difference due to fluctuation of CAD against HK$, the decrease in the revenue from sales of package tours during the Track Record Period was primarily due to the decreased sales volume of our package tours.

Cost of sales

Our cost of sales consists of the cost of package tours and tickets and employee benefit expenses. The following table sets forth the components of our cost of sales for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Cost of package tours and tickets	31,654	57.0	26,968	50.0	28,111	50.4
Employee benefit expenses						
— for air ticket distribution	17,072	30.7	19,799	36.6	19,591	35.2
— for travel business process management	6,852	12.3	7,258	13.4	8,012	14.4
Total	**55,578**	**100.0**	**54,025**	**100.0**	**55,714**	**100.0**

Our cost of sales amounted to approximately HK$55.6 million, HK$54.0 million and HK$55.7 million for the years ended December 31, 2015, 2016 and 2017 respectively, representing approximately 40.8%, 35.2% and 36.2% of our revenue for the corresponding year. If not taking into consideration the translation difference due to the fluctuation of CAD against HK$, our cost of sales denominated in CAD remained relatively stable for the years ended December 31, 2015, 2016, and 2017.

Our cost of package tours and tickets mainly represents the direct costs including air fares, hotel fees, transportation expenses, admission ticket costs and ground operators. Our cost of package tours and tickets decreased by approximately HK$4.7 million, or 14.8%, from approximately HK$31.7 million for the year ended December 31, 2015, to approximately HK$27.0 million for the year ended December 31, 2016. The decrease was generally in line with the decrease in our revenue generated from the sale of our travel products and services during the year ended December 31, 2016 as compared to the year ended December 31, 2015. If not taking into account the translation difference due to the appreciation of CAD against HK$, our cost of package tours and tickets denominated in functional currency remained relatively stable and amounted to approximately HK$27.0 million and HK$28.1 million for the years ended December 31, 2016 and 2017 respectively.

Our employee benefit expenses for air ticket distribution segment mainly represent the direct labor and benefit expenses, including salaries, for employees who engaged in the provision of air ticket distribution services. Our employee benefit expenses for air ticket distribution segment increased by approximately HK$2.7 million, or 15.8%, from approximately HK$17.1 million for the year ended December 31, 2015 to approximately HK$19.8 million for the year ended December 31, 2016. The increase in our employee benefit expenses for air ticket distribution denominated in CAD mainly due to the increase in headcount in light of our increased sales volume. Our employee benefit expenses for air ticket distribution segment for the years ended December 31, 2016 and 2017 remained relatively stable and amounted to approximately HK$19.8 million and HK$19.6 million respectively.

Our employee benefit expenses for travel business process management segment mainly represent the direct labor and benefit expenses, including salaries, for employees who engaged in the provision of travel business process management. Our employee benefit expenses for travel business process management segment increased by approximately HK$0.4 million, or 5.8%, from approximately HK$6.9 million for the year ended December 31, 2015 to approximately HK$7.3 million for the year ended December 31, 2016. Our employee benefit expenses for travel business process management segment increased by approximately HK$0.7 million, or 9.6%, from approximately HK$7.3 million for the year ended December 31, 2016 to approximately HK$8.0 million for the year ended December 31, 2017. Our employee benefit expenses for travel business process management segment denominated in CAD continued to increase throughout the Track Record Period, mainly due to the increase in payroll costs to travel business process management staff which were variable in nature due to increase in working hours because of the increase in transaction volume, offsetting the decrease in the expenses due to a decrease in headcount in the second half of 2017 as a result of our streamlining and restructuring of our travel business process management team.

Gross profit and gross profit margin

Our gross profit represents our revenue less our cost of sales. Our gross profit margin represents our gross profit as a percentage of our revenue. The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*	*Gross profit*	*Gross profit margin*
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Business segment:						
Air ticket distribution	58,215	77.3	75,131	79.1	70,332	75.7
Travel business process management	14,331	67.7	16,710	69.7	20,837	72.2
Travel products and services	8,072	20.3	7,298	21.3	6,979	21.7
Total	**80,618**	**59.2**	**99,139**	**64.7**	**98,148**	**63.8**

Our gross profit amounted to approximately HK$80.6 million, HK$99.1 million and HK$98.1 million for the years ended December 31, 2015, 2016 and 2017 respectively. Our overall gross profit increased during the year ended December 31, 2016, which was in line with our revenue growth. Our overall gross profit slightly decreased during the year ended December 31, 2017, which was mainly due to the decrease in the revenue generated from air ticket distribution and travel products and services segments, mitigated by the increase in the revenue generated from travel business process management segment.

Our gross profit margin amounted to approximately 59.2%, 64.7%, 63.8% for the years ended December 31, 2015, 2016 and 2017, respectively. Our overall gross margin increase during the year ended December 31, 2016, primarily attributable to the increasingly higher portion of our revenue from air ticket distribution and travel business process management segments which derived higher profit margins as compared to the travel products and services segment. Our overall gross profit margin slightly decreased for the year ended December 31, 2017, primarily attributable to the decrease in gross profit margin for the air ticket distribution segment, mitigated by the increase in gross profit margin for travel business process management segment.

Our gross profit attributable to air ticket distribution segment increased by approximately HK$16.9 million, or 29.0%, from approximately HK$58.2 million for the year ended December 31, 2015 to approximately HK$75.1 million for the year ended December 31, 2016, and then decreased by approximately HK$4.8 million, or 6.4%, to approximately HK$70.3 million for the year ended December 31, 2017. The increase in the gross profit attributable to air ticket distribution segment during the year ended December 31, 2016 was in line with the growth of our revenue from air ticket distribution. The decrease in the gross profit attributable to air ticket distribution segment during the year ended December 31, 2017 was in line with the decrease of our revenue from air ticket distribution segment as a result of the decrease in incentive commission received from airline suppliers. Our gross profit margin for air ticket distribution segment increased by approximately 1.8 percentage point from approximately 77.3% for the year ended December 31, 2015, to approximately 79.1% for the year ended December 31, 2016, primarily due to a greater proportional increase in our business segment revenue than in the business segment cost of sales. Our gross profit margin for air ticket distribution segment decreased by approximately 3.4 percentage point from approximately 79.1% for the year ended December 31, 2016 to approximately 75.7% for the year ended December 31, 2017. The decrease was mainly attributable to the decrease in incentive commission received from airline suppliers.

Our gross profit attributable to travel business process management segment, increased by approximately HK$2.4 million, or 16.8%, from approximately HK$14.3 million for the year ended December 31, 2015 to approximately HK$16.7 million for the year ended December 31, 2016, and further increased by approximately HK$4.1 million, or 24.6%, to approximately HK$20.8 million for the year ended December 31, 2017. If not taking into consideration the translation difference due to the fluctuation of CAD against HK$, the increase in the gross profit attributable to travel business process management segment during the Track Record Period was mainly attributable to increased transaction volume and number of travel business process management customers. Our gross profit margin for travel business process management segment, increased by approximately 2.0 percentage point from approximately 67.7% for the year ended December 31, 2015 to approximately 69.7% for the year ended December 31, 2016, and further increased by approximately 2.5 percentage point to approximately 72.2% for the year ended December 31, 2017. The increases were primarily due to the cost effectiveness and optimization of staff cost given the percentage increase in revenue outweighed the percentage increase in employee benefit expenses for travel business process management segment.

Our gross profit attributable to travel products and services segment, decreased by approximately HK$0.8 million, or 9.9%, from approximately HK$8.1 million for the year ended December 31, 2015 to approximately HK$7.3 million for the year ended December 31, 2016, and further decreased by approximately HK$0.3 million, or 4.1%, to approximately HK$7.0 million for the year ended December 31, 2017. If not taking into consideration the translation difference due to the fluctuation of CAD against HK$, the decrease in gross profit was mainly attributable to the decreased sale volume of our travel products and services. Our gross profit margin for travel products and services segment, increased by approximately 1.0 percentage point from approximately 20.3% for the year ended December 31, 2015 to approximately 21.3% for the year ended December 31, 2016 and further increased by approximately 0.4 percentage point to approximately 21.7% for the year ended December 31, 2017. The increase in our gross profit margin for travel products and services segment was primarily due to the increased average selling price of the package tours as a result of we provided more customized group travel tours during the year.

Other income

Our other income during the Track Record Period mainly represented the compensation from insurance pay outs.

For the year ended December 31, 2017, we had other income of approximately HK$15,000. Such income was related to the insurance payout for a fire accident in a neighbor building of our Montreal office.

Other gains/(losses), net

Our other net gains/(losses), net mainly consisted of the net amounts from gains or losses of foreign exchange and disposal of property, plant and equipment. We had other net gains of approximately HK$0.8 million and other net loss of approximately HK$0.1 million and HK$0.8 million for the years ended December 31, 2015, 2016 and 2017, respectively. The following table sets forth our other net gains/(losses) for the periods indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
	HK$'000	*HK$'000*	*HK$'000*
Foreign exchange gain/(loss)	595	(51)	(808)
Gain/(loss) on disposal of property, plant and equipment	236	(2)	—
Total	**831**	**(53)**	**(808)**

We recorded (i) a net foreign exchange gain of approximately HK$0.6 million for the year ended December 31, 2015; and (ii) net foreign exchange loss of approximately HK$0.1 million and HK$0.8 million for the years ended December 31, 2016 and 2017, respectively. Our other net gains/(losses) was mainly attributable to the exchange difference on our Group's financial assets and liabilities denominated in USD when presenting in functional currency in CAD.

We recorded an one-off net gain on disposal of property, plant and equipment of approximately HK$0.2 million for the year ended December 31, 2015. Such gain was mainly due to a disposal of an automobile in 2015. In 2016, we recorded an one-off net loss on disposal of property, plant and equipment of approximately HK$2,000. Such net loss was mainly due to our disposal of furniture and fixtures.

Selling expenses

Our selling expenses remained relatively stable and amounted to approximately HK$15.6 million, HK$16.0 million and HK$17.7 million for the years ended December 31, 2015, 2016 and 2017, respectively. The following table sets forth the components of our selling expenses for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expenses	7,506	48.1	7,458	46.5	7,039	39.9
Advertising and promotion	2,273	14.6	2,785	17.4	4,269	24.1
Operating lease rental payments	2,195	14.1	2,180	13.6	1,984	11.2
Credit card fees	1,047	6.7	1,052	6.6	920	5.2
Depreciation of property, plant and equipment and amortization of intangible assets	506	3.3	760	4.6	2,072	11.7
Others*(Note)*	2,063	13.2	1,805	11.3	1,399	7.9
Total	**15,590**	**100.0**	**16,040**	**100.0**	**17,683**	**100.0**

Note: Others mainly include management fee and utilities for leases and entertainment expenses.

Our employee benefit expenses mainly represent staff costs incurred for our marketing and advertising personnel. Our employee benefit expenses remained relatively stable at approximately HK$7.5 million for the years ended December 31, 2015 and 2016. Our employee benefit expenses slightly decreased by approximately HK$0.5 million, or 6.7%, from approximately HK$7.5 million for the year ended December 31, 2016 to approximately HK$7.0 million for the year ended December 31, 2017. If not taking into account the translation difference due to the fluctuation of CAD against HK$, our employee benefit expenses denominated in CAD remained relatively stable for the years ended December 31, 2015, 2016 and 2017.

We advertise and promote our brand and products through various channels, including sponsoring events, placing advertisements on medias, participate and organizing travel shows and distributing flyers and brochures. Our advertising and promotion expenses increased by approximately HK$0.5 million, or 21.7%, from approximately HK$2.3 million for the year ended December 31, 2015 to approximately HK$2.8 million for the year ended December 31, 2016. If not taking into account the translation difference due to the depreciation of CAD against HK$, the increase was mainly attributable to the increased media advertising during the year. Our advertising and promotion expenses increased by approximately HK$1.5 million, or 53.6%, from approximately HK$2.8 million for the year ended December 31, 2016 to approximately HK$4.3 million for the year ended December 31, 2017. If not taking into account the translation difference due to the appreciation of CAD against HK$, the increase of our advertising and promotion expenses was mainly due to (i) the increased redemption of air tickets from airlines using loyalty points for internal corporate use; and (ii) the increased expense for various marketing events.

Our operating lease rental payments mainly represent the rentals for our branches. Our operating lease rental payments remained stable for the years ended December 31, 2015 and 2016 at approximately HK$2.2 million. Our operating lease rental payments slightly decreased by approximately HK$0.2 million, or 9.1%, from approximately HK$2.2 million for the year ended December 31, 2016 to approximately HK$2.0 million for the year ended December 31, 2017. The decrease was mainly because we closed down our branch offices in Markham, Ontario and Montreal, Québec in the second half of 2016, partially offset by the appreciation of CAD against HK$.

Our credit card fees mainly relate to receipts from customers using credit cards, which amounted to approximately HK$1.0 million, HK$1.1 million and HK$0.9 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Our depreciation of property, plant and equipment and amortization of intangible assets increased during the Track Record Period from approximately HK$0.5 million for the year ended December 31, 2015 to approximately HK$0.8 million for the year ended December 31, 2016, and further to approximately HK$2.1 million for the year ended December 31, 2017. The increase was in line with the addition of property, plant and equipment and intangible assets during the Track Record Period, particularly the addition of computer software, which was classified as intangible assets, of approximately HK$2.2 million and HK$3.4 million for the years ended December 31, 2016 and 2017 respectively.

Administrative expenses

Our administrative expenses amounted to approximately HK$31.7 million, HK$34.7 million and HK$61.3 million for the years ended December 31, 2015, 2016 and 2017, respectively. The following table sets forth the components of our administrative expenses for the periods indicated:

	For the year ended December 31,					
	2015		2016		2017	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expenses	18,977	59.9	18,058	52.0	20,738	33.9
Service fee	2,950	9.3	6,240	18.0	8,119	13.2
Office, telecommunication and utility expenses	3,308	10.4	3,286	9.5	3,689	6.0
Professional service fee	1,918	6.1	1,789	5.2	1,504	2.5
Operating lease rental payments	509	1.6	490	1.4	484	0.8
Depreciation of property, plant and equipment and amortization of intangible assets	160	0.5	249	0.7	738	1.2
Listing expenses	—	—	—	—	19,571	31.9
Bank charges	234	0.7	644	1.9	1,391	2.3
Others *(Note)*	3,627	11.5	3,936	11.3	5,080	8.2
Total	**31,683**	**100.0**	**34,692**	**100.0**	**61,314**	**100.0**

Note: Others mainly include consultancy fees, administrative service cost for repair and maintenance and traveling expenses.

Our employee benefit expenses in administrative expenses mainly represent Directors' remuneration and costs incurred for our management and administrative personnel. Our employee benefit expenses in administrative expenses remained relatively stable at approximately HK$19.0

million and HK$18.1 million for the years ended December 31, 2015 and 2016, respectively. Our employee benefit expenses in administrative expenses increased by approximately HK$2.6 million, or 14.4%, from approximately HK$18.1 million for the year ended December 31, 2016 to approximately HK$20.7 million for the year ended December 31, 2017. The increase was mainly attributable to (i) the increase in the headcount of our management and administrative personnel; and (ii) the appreciation of CAD against HK$.

Service fee represented the service fee paid to Beijing Dynasty International Travel Co. Ltd. ("**Beijing Dynasty**"), the then related party from whom we procured certain mid-office and back-office services, such as transactions reconciliation and after-sales services in China for our transactions with the PRC customers given the time zone difference between Canada and China, which was charged based on transaction volume. Our service fee increased by approximately 106.7% from approximately HK$3.0 million for the year ended December 31, 2015 to approximately HK$6.2 million for the year ended December 31, 2016, and further increased by approximately 30.6% to approximately HK$8.1 million for the year ended December 31, 2017. Such increase was in line with the increase in our number of transactions with the PRC customers.

Our office, telecommunication and utility expenses mainly represent various corporate expenses incurred in our daily operations. Our office, telecommunication and utility expenses remained relatively stable at approximately HK$3.3 million, HK$3.3 million and HK$3.7 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Our professional service fees mainly represent the service fees paid for the audit and non-audit services, legal fees mainly in relation to business contracts review and consulting fees for sales development and IT services, which amounted to approximately HK$1.9 million, HK$1.8 million and HK$1.5 million for the years ended December 31, 2015, 2016 and 2017, respectively. Our professional service fee decreased by approximately HK$0.3 million, or 16.7%, from approximately HK$1.8 million for the year ended December 31, 2016 to approximately HK$1.5 million for the year ended December 31, 2017, primarily attributable to the fact that we engaged a former consultant to be our employee in the year ended December 31, 2017, thus the salary to him was recorded under employee benefit expense for the year ended December 31, 2017.

Our operating lease rental payments mainly represent the rentals for our administrative function, which amounted to approximately HK$0.5 million, HK$0.5 million and HK$0.5 million for the years ended December 31, 2015, 2016 and 2017, respectively.

Our bank charges mainly represent the administrative fees paid to the bank for applying and maintaining for banking facilities, which amounted to approximately HK$0.2 million, HK$0.6 million and HK$1.4 million for the years ended December 31, 2015, 2016 and 2017, respectively. The increase in bank charges during the Track Record Period was in line with the increase in our banking facilities amount.

Finance income/(costs), net

We had net finance income of approximately HK$0.2 million for the year ended December 31, 2015. We had net finance costs of approximately HK$0.3 million and HK$0.5 million for the years ended December 31, 2016 and 2017, respectively. The following table sets forth the components of our finance income/(costs), net for the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Interest income	198	527	554
Interest expense on loans from shareholders	—	(813)	(448)
Interest expense on bank borrowings	(14)	(6)	(567)
Finance income/(costs), net	**184**	**(292)**	**(461)**

Our interest income increased significantly by approximately 150% from approximately HK$0.2 million for the year ended December 31, 2015 to approximately HK$0.5 million for the year ended December 31, 2016. Such increase was primarily due to the interest income on the restricted term deposit held in 2016. For details, please refer to the paragraph headed "Description of Selected Statement of Financial Position Items — Restricted term deposit" in this section. Our interest income remained relatively stable for the years ended December 31, 2016 and 2017 and amounted to approximately HK$0.5 million and HK$0.6 million respectively.

We recorded interest expense on loans from shareholders of approximately HK$0.8 million for the year ended December 31, 2016 and HK$0.4 million for the year ended December 31, 2017. Such interest expense was related to loans from shareholders incurred in March 2016. Such loan amounted to approximately HK$29.4 million remained outstanding as of December 31, 2016 and had been settled in June 2017. As a result, our interest expense on loans from shareholders decreased by approximately 50.0% from approximately HK$0.8 million for the year ended December 31, 2016 to approximately HK$0.4 million for the year ended December 31, 2017. For further details, please refer to the paragraph headed "Loans from Shareholders" in this section.

We recorded interest expense on bank borrowings of approximately HK$14,000, HK$6,000 and HK$0.6 million for the year ended December 31, 2015, 2016 and 2017, respectively. Such interest expense was related to bank borrowings which amounted to approximately HK$0.2 million, HK$62,000 and HK$37.2 million as of December 31, 2015, 2016 and 2017. As a result, our interest expense on bank borrowings increased from approximately HK$6,000 for the year ended December 31, 2016 to approximately HK$0.6 million for the year ended December 31, 2017. For further details, please refer to the paragraph headed "Bank borrowings" in this section.

Income tax expense, net

Our net income tax expense mainly consists of current income tax and deferred income tax. Our deferred income tax expense resulted mainly from the purchase of computer equipment and deferred income tax credit resulted mainly from the recognition of the Listing expenses incurred. The following table sets forth the components of our income tax expenses for the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Current income tax	8,786	12,762	10,366
Deferred income tax/(credit)	85	302	(4,834)
Income tax expense, net	8,871	13,064	5,532

We recorded net income tax expenses of approximately HK$8.9 million, HK$13.1 million and HK$5.5 million for the years ended December 31, 2015, 2016 and 2017 respectively. The increase in the net income tax expenses from the year ended December 31, 2015 to 2016 was in line with the increase in our profit before tax. The decrease in the net income tax expenses from the year ended December 31, 2016 to 2017 was mainly due to the recognition of the deferred tax assets for the Listing expenses incurred under the Canadian tax regulations. Such income tax expenses represents an effective tax rate of approximately 25.8%, 27.2% and 30.9% for the corresponding years, which was a result of the taxes of the Canadian corporate income tax at the rate of 26.5%, the United States federal income tax at the rate of 34% and the United States state and city taxes of 9.78%, reduced by, among others, (i) the tax reduction given Tour East Canada was a Canadian-controlled private corporation which would reduce its Ontario basic income tax by claiming the Ontario small business deduction; and (ii) utilization and recognition of unrecognized tax losses of Tour East New York. The increase in effective tax rate from the year ended December 31, 2015 to 2016 was due to the proportionally reduced recognition and utilization of tax losses carryovers in 2015 and 2016 as the tax losses were used up and the increase in such from the year ended December 31, 2016 to 2017 was mainly due to the recognition of the deferred tax assets for the Listing expenses incurred.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issue with the relevant tax authorities.

Non-IFRS measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit/loss as an additional measure. We present these financial measures because they are used by our management to evaluate our financial performance by excluding the impact of items that we do not consider indicative to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods.

LISTING EXPENSES

Total expenses (including underwriting commissions) expected to be incurred by our Company in relation to the Listing are approximately HK$58.3 million, of which approximately HK$19.6 million was charged to profit or loss for the year ended December 31, 2017, and approximately HK$5.6 million of which that is incremental and directly attributable to the issue of Offer Shares has been deferred and is included within "Prepayments, deposits and other receivables" on the consolidated statements of financial position as of December 31, 2017 and will be deducted from equity when Offer Shares are issued. The remaining expenses are expected to be incurred in the year ending December 31, 2018, of which approximately HK$16.5 million is expected to be charged to profit or loss and approximately HK$16.6 million is expected to be deducted from equity.

Our Directors would like to emphasize that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognized in the consolidated financial statements of our Group for the year ending December 31, 2018 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending December 31, 2018 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to our historical financial performance.

LIQUIDITY AND CAPITAL RESOURCES

Our Group's principal liquidity and working capital requirements primarily relate to our operating costs and payments to suppliers. For air ticket distribution and travel products and services segments, as most of our customers are required to settle their fees for our products and services before or shortly after we render our services and/or deliver our products, we have historically funded our liquidity and working capital requirements principally with cash generated from our operations. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, banking facilities, net proceeds from the Share Offer as well as other external equity and debt financing.

Cash flow

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Net cash generated from operating activities	26,344	49,402	951
Net cash generated used in investing activities	(1,625)	(44,789)	(6,791)
Net cash (used in)/generated from financing activities	(20,824)	16,240	(1,840)
Net increase/(decrease) in cash and cash equivalents	**3,895**	**20,853**	**(7,680)**
Cash and cash equivalents at beginning of year	54,084	49,030	71,160
Effect of currency translation differences	(8,949)	1,277	1,937
Cash and cash equivalents at end of year	**49,030**	**71,160**	**65,417**

Net cash generated from operating activities

Net cash generated from operating activities in 2015 was approximately HK$26.3 million. Operating cash flows before changes in working capital were approximately HK$34.6 million, primarily reflecting profit before income tax in the amount of approximately HK$34.4 million, as adjusted by depreciation of property, plant and equipment of approximately HK$0.4 million and a gain on disposal of property, plant and equipment of approximately HK$0.2 million. Changes in working capital contributed a cash outflow in the amount of approximately HK$3.5 million consisting primarily of an increase in trade receivables in the amount of approximately HK$14.3 million, an increase in prepayments, deposits and other receivables in the amount of approximately HK$3.5 million and an increase in accruals and other payables of approximately HK$13.1 million.

Net cash generated from operating activities in 2016 was approximately HK$49.4 million. Operating cash flows before changes in working capital were approximately HK$49.4 million, attributable to profit before income tax in the amount of approximately HK$48.1 million, as adjusted by depreciation of property, plant and equipment of approximately HK$0.8 million, net finance costs of approximately HK$0.3 million and amortization of intangible assets of approximately HK$0.3 million. Changes in working capital contributed a cash inflow in the amount of approximately HK$10.4 million consisting primarily of an increase in accruals and other payables of approximately HK$21.4 million, an increase in prepayments, deposits and other receivables in the amount of approximately HK$9.0 million and an increase in trade receivables of approximately HK$3.5 million.

Net cash generated from operating activities in 2017 was approximately HK$1.0 million. Operating cash flows before changes in working capital were approximately HK$21.2 million, attributable to profit before income tax in the amount of approximately HK$17.9 million, as adjusted by depreciation of property, plant and equipment of approximately HK$1.4 million, amortization of intangible assets of approximately HK$1.5 million and net finance costs of approximately HK$0.5 million. Changes in working capital contributed a cash outflow in the amount of approximately HK$0.4 million consisting primarily of an increase in accruals and other payables of approximately HK$11.7 million, an increase in prepayments, deposits and other receivables in the amount of approximately HK$10.5 million and an increase in trade receivables of approximately HK$1.6 million.

Our Group recorded net cash inflows from operating activities of approximately HK$26.3 million and HK$49.4 million for the years ended December 31, 2015 and 2016 respectively. The higher amount of our net cash inflows from operating activities for the year ended December 31, 2016 as compared to the year ended December 31, 2015 was principally attributable to (i) the higher profit before income tax for the year ended December 31, 2016 as compared to the year ended December 31, 2015; and (ii) the increase of the receipt in advance from a customer at the end of the year ended December 31, 2016 by approximately HK$13.9 million as compared to the beginning of the financial year.

Our Group recorded net cash inflows from operating activities of approximately HK$49.4 million and HK$1.0 million for the years ended December 31, 2016 and 2017, respectively. The lower amount of our net cash inflows from operating activities for the year ended December 31, 2017 as compared to the year ended December 31, 2016 was principally attributable to (i) the lower profit before income tax for the year ended December 31, 2017 as compared to the year ended December 31, 2016 mainly due to the Listing expenses incurred; and (ii) the increase in income tax paid by approximately HK$9.2 million as compared to the year ended December 31, 2016.

Net cash generated used in investing activities

Net cash used in investing activities in 2015 was approximately HK$1.6 million, primarily reflecting the purchase of property, plant and equipment of approximately HK$1.8 million.

Net cash used in investing activities in 2016 was approximately HK$44.8 million, primarily reflecting (i) an increase in the restricted term deposit of approximately HK$42.0 million; (ii) an increase in the purchase of intangible assets of approximately HK$2.2 million, partially offset by interest received of approximately HK$0.5 million; and (iii) purchase of property, plant and equipment of approximately HK$1.1 million.

Net cash used in investing activities in 2017 was approximately HK$6.8 million, primarily reflecting (i) an increase in the purchase of property, plant and equipment of approximately HK$3.6 million; and (ii) an increase in the purchase of intangible assets of approximately HK$3.4 million, partially offset by interest received of approximately HK$0.2 million.

Net cash (used in)/generated from financing activities

Net cash used in financing activities in 2015 was approximately HK$20.8 million reflecting primarily dividends paid to Shareholders of approximately HK$12.2 million and redemption of redeemable preferences shares of approximately HK$8.5 million.

Net cash generated from financing activities in 2016 was approximately HK$16.2 million reflecting primarily proceeds from loans from shareholders of approximately HK$29.9 million, partially offset by redemption of redeemable preferences shares of approximately HK$13.5 million.

Net cash used in financing activities in 2017 was approximately HK$1.8 million primarily reflecting repayment of loans from shareholders of approximately HK$29.7 million and payment of Listing expenses of approximately HK$8.1 million, partially offset by proceeds from bank borrowings of approximately HK$36.0 million.

Working Capital

Our Directors assess the working capital level of our Group based on, among others, the amount of cash and cash equivalents, banking facilities available to us and, if the Listing is successful, the estimated net proceeds from the Share Offer:

- our cash and cash equivalents on hand amounted to approximately HK$49.0 million, HK$71.2 million and HK$65.4 million as of December 31, 2015, 2016 and 2017 respectively, which include:

  (i) restricted cash held in trust accounts from travelers of approximately HK$16.8 million, HK$14.9 million and HK$26.3 million as of the respective dates;

  (ii) receipt in advance of approximately HK$15.2 million, HK$29.1 million and HK$25.8 million as of the respective dates.

  The residual cash available amounted to approximately HK$17.0 million, HK$27.2 million and HK$13.3 million as of December 31, 2015, 2016 and 2017. For details, please refer to Notes 20 and 25 to the Accountant's Report;

- the unutilized banking facilities in the form of demand non-revolving loan of approximately HK$31.2 million and HK$30.7 million as of December 31, 2017 and April 30, 2018, being the indebtedness date, respectively; and

- the estimated net proceeds from the Share Offer of approximately HK$55.7 million (based on the mid-point of the indicative Offer Price range of approximately HK$0.38 per Offer Share and 300,000,000 Offer Shares) to be received by our Group.

Working Capital Statement

Our Directors are of the opinion that, after taking into account our Group's cash and cash equivalents on hand, the available banking facilities and the estimated net proceeds from the Share Offer (after a possible Downward Offer Price Adjustment setting the final Offer Price up to approximately 10% below the bottom end of the indicative Offer Price range), we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

NET CURRENT (LIABILITIES)/ASSETS

The following table sets forth selected information from our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2015	2016	2017	2018
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)* *(Unaudited)*
Current assets				
Trade receivables	21,346	25,453	28,228	19,841
Prepayments, deposits and other receivables	11,935	21,190	41,231	72,072
Amount due from a related company	870	—	—	—
Income tax recoverable	—	—	235	—
Available-for-sale financial assets	—	—	1,401	1,376
Restricted term deposit	—	41,405	45,016	—
Cash and cash equivalents	49,030	71,160	65,417	122,119
	83,181	159,208	181,528	215,408
Current liabilities				
Trade payables	109	6	25	231
Amount due to a related company	34	817	—	—
Accruals and other payables	53,989	76,601	94,801	129,013
Income taxes payable	5,437	8,744	—	180
Bank borrowings	155	62	37,243	36,579
Redeemable preference shares	62,097	50,935	—	—
	121,821	137,165	132,069	166,003
Net current (liabilities)/assets	(38,640)	22,043	49,459	49,405
Net current assets (excluding redeemable preference shares)	**23,457**	**72,978**	**49,459**	**49,405**

We recorded net current assets of approximately HK$22.0 million as of December 31, 2016 as compared to the net current liabilities of approximately HK$38.6 million as of December 31, 2015. Such change was primarily due to (i) the increase in restricted term deposit of approximately HK$41.4 million, which was held as a security in favor of the bank for the letters of guarantee issued to IATA in 2016; (ii) increase in prepayments deposits and other receivables of approximately HK$9.3 million; (iii) increase in cash and cash equivalents of approximately HK$22.2 million; and (iv) redemption of preference shares of approximately HK$13.5 million mitigated by the increase in accruals and other payables of approximately HK$22.6 million. Please refer to Note 20 to the Accountant's Report in Appendix I to this prospectus for further details.

On October 9, 2017, the redeemable preference shares of Tour East Canada were exchanged to common shares of Tour East Canada. Excluding the redeemable preference shares, we would have had net current assets of approximately HK$23.5 million and HK$73.0 million as of December 31, 2015 and 2016, respectively.

Our net current assets increased from approximately HK$22.0 million as of December 31, 2016 to approximately HK$49.5 million as of December 31, 2017. Such increase was primarily due to (i) the abovementioned exchange of redeemable preference shares which reduced the current liabilities of approximately HK$50.9 million as of December 31, 2016 as compared to December 31, 2017; (ii) the increase in prepayments, deposits and other receivables of approximately HK$20.0 million; which was mitigated by (i) the increase in bank borrowing of approximately HK$37.2 million; and (ii) the increase in accruals and other payables of approximately HK$18.2 million.

Based on our unaudited consolidated management accounts, our net current assets remained relatively stable and amounted to approximately HK$49.5 million and HK$49.4 million as of December 31, 2017 and April 30, 2018 respectively, which was primarily the result of (i) increase in cash and cash equivalents of approximately HK$56.7 million; (ii) increase in prepayments, deposits and other receivables of approximately HK$30.9 million, mitigated by (i) the decrease in restricted term deposit of approximately HK$45.0 million due to the release of letters of guarantee issued to IATA together with the respective restricted term deposit in February 2018; (ii) the increase in accruals and other payables of approximately HK$34.2 million; and (iii) the decrease in trade receivables of approximately HK$8.4 million. For details of the release of letters of guarantee issued to IATA with the respective restricted term deposit, please refer to the paragraph headed "Description of Selected Statement of Financial Position Items — Restricted term deposit" in this section.

DESCRIPTION OF SELECTED STATEMENT OF FINANCIAL POSITION ITEMS

Deferred income tax assets

The deferred income tax assets of our Group during the Track Record Period mainly represented temporary differences between the accounting and the tax balances arising from Listing fees incurred which will be deductible for tax purposes against future taxable profits of the companies of our Group. The deferred income tax assets of our Group increased by approximately HK$6.6 million, or 33 times, from approximately HK$0.2 million as of December 31, 2016 to approximately HK$6.8 million as of December 31, 2017, which was mainly due to the recognition of the Listing fees which will be deductible for tax purpose in the future under the Canadian Income Tax Act.

Intangible assets

During the Track Record Period, our intangible assets mainly comprised the computer software. The capitalized computer software cost is deemed to have a three-year useful life and will be amortized over its useful life. The following table sets forth our intangible assets as of the dates indicated:

	As of December 31,		
	2015	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Intangible assets	249	2,161	4,299

Our intangible assets increased by approximately HK$2.0 million or ten times from approximately HK$0.2 million as of December 31, 2015 to approximately HK$2.2 million as of December 31, 2016, and further increased by approximately HK$2.1 million or 95.5% to approximately HK$4.3 million as of December 31, 2017. If not taking into account the translation difference due to the fluctuation of CAD against HK$, the increase was mainly attributable to upgrading and purchasing computer softwares for our business operation.

Available-for-sale financial assets

As of December 31, 2015, 2016 and 2017, we had available-for-sale financial assets of approximately HK$1.3 million, HK$1.3 million and HK$1.4 million, respectively. Our available-for-sale financial assets mainly represent a government bond held by the Canadian government and an investment in the then related party, 1372979 Ontario Inc., in the form of 5,000 special shares, with carrying amount of CAD1 as of December 31, 2015 and 2016, which was disposed to an Independent Third Party on January 1, 2017.

The carrying value of the Canadian government bond in the amount of CAD225,000 was equivalent to approximately HK$1.3 million, HK$1.3 million and HK$1.4 million as of December 31, 2015, 2016 and 2017, respectively. The interest rate for the bond is 2.2% with a maturity date of December 1, 2018. The bond is held as a security pledge for the operating permits required under the Québec Travel Agents Act by the OPC. Accordingly, our available-for-sale financial assets were reclassified from non-current assets as of December 31, 2015 and 2016 to current assets as of December 31, 2017.

Trade receivables

Our trade receivables primarily represent incentive commission receivables and other trade receivables, which amounted to approximately HK$21.3 million, HK$25.5 million and HK$28.2 million as of December 31, 2015, 2016 and 2017. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,		
	2015	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Incentive commission receivables	19,212	24,652	27,329
Other trade receivables	2,134	801	899
	21,346	25,453	28,228

Our incentive commission receivables represented the incentive commission receivables from various airline suppliers. Our incentive commission receivables increased by approximately HK$5.5 million, or 28.6%, from approximately HK$19.2 million as of December 31, 2015 to approximately HK$24.7 million as of December 31, 2016. If not taking into account the translation difference due to the depreciation of CAD against HK$, the increase was primarily due to the increased incentive commission from airline suppliers which is in line with our increase in sales volume and gross sales proceeds of air tickets.

Our incentive commission receivables increased by approximately HK$2.6 million, or 10.5%, from approximately HK$24.7 million as of December 31, 2016 to approximately HK$27.3 million as of December 31, 2017. If not taking into account the translation difference due to the appreciation of CAD against HK$, our incentive commission receivables denominated in CAD remained relatively stable between December 31, 2017 and 2016.

Other trade receivables mainly represent incentive income receivables from GDS providers and receivables for travel business process management fees. Our other trade receivables decreased significantly by approximately HK$1.3 million, or 61.9%, to approximately HK$0.8 million as of December 31, 2016 as compared to approximately HK$2.1 million as of December 31, 2015. If not taking into account the translation difference due to the depreciation of CAD against HK$, the decrease was primarily due to the decreased incentive income receivables from GDS providers by approximately HK$1.7 million as we forwent a portion of our incentive income from GDS providers to certain travel agent customers which in turn reduce their cost of procurement with an aim to increase our sales volume of air tickets to them, by helping to reduce the cost of procurement of these travel agent customers. Our other trade receivables increased by approximately HK$0.1 million, or 12.5%, to approximately HK$0.9 million as of December 31, 2017 as compared to approximately HK$0.8 million as of December 31, 2016. If not taking into account the translation difference due to the appreciation of CAD against HK$, our other trade receivables denominated in CAD remained relatively stable.

The following table sets forth our trade receivables turnover days for the period indicated:

	For the year ended December 31,		
	2015	**2016**	**2017**
Trade receivables turnover days (Note)	40.9	55.9	63.7

Note: Trade receivables turnover days are calculated as the average of the opening and closing trade receivables (which included incentive commission receivables and other trade receivables) divided by revenue for the same period and multiplied by the number of days in that period, (i.e. being 365 days for the year ended December 31, 2015 or 366 days for the year ended December 31, 2016 or 365 days for the year ended December 31, 2017).

Typically, the airline suppliers have to settle the incentive commission after the end of quarter, half year or year (as the case may be). For our travel business process management customers, the payment term is generally within 30 days after invoice. Our trade receivables turnover days increased from approximately 40.9 days for the year ended December 31, 2015 to approximately 55.9 days for the year ended December 31, 2016. The increasing trend from the year ended December 31, 2015 to the year ended December 31, 2016 was mainly due to the higher increase in the incentive commission receivables for the respective periods as compared to the increase in incentive commission revenue. If not taking into account the translation difference due to the appreciation of CAD against HK$, our incentive commission receivables denominated in CAD remained relatively stable as of December 31, 2016 and 2017 whereas the incentive commission from airline suppliers decreased from the years ended December 31, 2016 to 2017. As a result, our trade receivables turnover days further increased to approximately 63.7 days for the year ended December 31, 2017.

The following table sets forth an aging analysis of our trade receivables based on invoice date or date of recognition as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
0 to 60 days	20,943	24,066	27,746
61 to 120 days	387	1,320	228
121 to 180 days	—	—	90
181 to 365 days	16	67	164
	21,346	25,453	28,228

As of December 31, 2015, 2016 and 2017, trade receivables of approximately HK$0.4 million, HK$1.4 million and HK$0.5 million, respectively, were past due but not impaired. These amounts as of December 31, 2015, 2016 and 2017 mainly represent the incentive commission receivables from airline suppliers and GDS providers and receivables for travel business process management fees. Our Directors believe that the overdue amounts are considered recoverable based on past experience. The aging analysis of these trade receivables, based on due date, is as follows:

	As of December 31,		
Overdue	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Less than 30 days	3	—	—
31 to 90 days	384	1,387	228
Over 90 days	16	—	254
	403	1,387	482

Our trade receivables which were overdue as of December 31, 2015 and 2016 mainly represented the incentive commission receivables from airline suppliers, whereas such were overdue as of December 31, 2017 mainly represented incentive income receivables from GDS providers and receivables from travel business process management fees. It normally took one to three months for airline suppliers to determine and process the computation of the incentive commission payable to us after the end of year. Our trade receivables which were overdue increased from approximately HK$0.4 million as of December 31, 2015 to approximately HK$1.4 million as of December 31, 2016. Such increase was mainly due to the increase in incentive commission receivables from airlines which was generally in line with our revenue growth. Our trade receivables which were overdue decreased from approximately HK$1.4 million as of December 31, 2016 to approximately HK$0.5 million as of December 31, 2017. The decrease was mainly due to the fact that the incentive commission receivables from airline suppliers as of December 31, 2017 were within the payment term. As at May 31, 2018, over HK$22.9 million or 81.2% of our trade receivables as of December 31, 2017 were settled.

Prepayments, deposits and other receivables

The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Receivables from travel agents for ticket costs	7,834	16,123	28,161
Prepaid tour and air ticket costs	1,312	2,269	4,021
Rental and other deposits	1,285	1,291	1,330
Prepaid expenses	867	995	572
Deferred listing expenses	—	—	6,619
Other receivables *(Note)*	637	512	528
	11,935	21,190	41,231

Note: Other receivables include accrued interest receivables on available-for-sale financial assets (for details, please refer to Note 16 in the Accountant's Report), restricted term deposit and other miscellaneous.

Our prepayments, deposits and other receivables increased by approximately HK$9.3 million, or 78.2%, from approximately HK$11.9 million as of December 31, 2015, to approximately HK$21.2 million as of December 31, 2016. The increase in our prepayments, deposits and other receivables was in line with the expansion of our business, in particular the increase in sales from our air ticket distribution segment. Our prepayments, deposits and other receivables increased by approximately HK$20.0 million, or 94.3%, from approximately HK$21.2 million as of December 31, 2016 to approximately HK$41.2 million as of December 31, 2017. The increase was mainly due to (i) the increase in receivables from travel agents for ticket costs; (ii) the increase in deferred listing expenses; and (iii) the appreciation of CAD against HK$.

Receivables from travel agents for ticket costs

Receivables from travel agents for ticket costs are mainly related to the outstanding balances from customers in respect of sales of our air ticket and travel products and services, which increased from approximately HK$7.8 million as of December 31, 2015 to approximately HK$16.1 million as of December 31, 2016, and further increased to approximately HK$28.2 million as of December 31, 2017. The increase was generally in line with expansion of our air ticket distribution business, and was mainly due to the fact that our major customers in China generally took longer to settle the outstanding amounts. For illustrative purpose, during the Track Record Period, our turnover days for receivables from travel agents for ticket costs amount to approximately 0.8 days, 1.1 days and 2.0 days, respectively. As of May 31, 2018, approximately 97.6% of our receivables from travel agents for ticket costs as of December 31, 2017 were settled.

Prepaid tour and air ticket costs

Prepaid tour and air ticket costs mainly represent the prepayment for air tickets bundles directly for airline reservations, tour costs for ground operators and for ticket costs, hotel deposits made by us. As of December 31, 2015, 2016 and 2017, our prepaid tour and air ticket costs amounted to approximately HK$1.3 million, HK$2.3 million and HK$4.0 million, respectively. Our prepaid tour and air ticket costs increased by approximately HK$1.0 million or 76.9% from approximately HK$1.3 million as of December 31, 2015 to approximately HK$2.3 million as of December 31, 2016. The increase was primarily due to an increase in prepayment made for a group tour launched in early 2017. Our prepaid tour and air ticket costs increased by approximately HK$1.7 million or 73.9% with a balance of approximately HK$4.0 million as of December 31, 2017 as compared to approximately HK$2.3 million as of December 31, 2016. Such increase was primarily due to (i) air ticket bundles prepaid by us in the amount of approximately HK$1.3 million to enjoy the special discounts; and (ii) the appreciation of CAD against HK$.

Rental and other deposits

Our rental and other deposits mainly represent the deposits for our office and retail branches. Our rental and other deposits amounted to approximately HK$1.3 million, HK$1.3 million and HK$1.3 million as of December 31, 2015, 2016 and 2017 respectively. If not taking into account the translation difference due to the fluctuation of CAD against HK$, our rental and other deposits denominated in CAD remained relatively stable for the years ended December 31, 2015, 2016 and 2017.

Prepaid expenses

Our prepaid expenses remained relatively stable and amounted to approximately HK$0.9 million and HK$1.0 million as of December 31, 2015 and 2016 respectively. Our prepaid expenses which mainly comprised loyalty points from airlines which can redeem for air tickets which are not allowed for resell, prepayment for gift cards or coupons for our loyalty program, unamortized charges for banking facilities and rental for corporate vehicle. If not taking into account the translation difference due to the appreciation of CAD against HK$, we recorded decrease in our prepaid expense of approximately HK$0.4 million or 40.0% of approximately HK$0.6 million as of December 31, 2017 as compared to approximately HK$1.0 million as of December 31, 2016. Such decrease was primarily due to redemption of air tickets using loyalty points.

Deferred listing expenses

We recorded deferred listing expenses of approximately HK$6.6 million as of December 31, 2017. Such amount mainly represents the service fees paid to certain professional parties for the Share Offer which shall be deducted from equity when Offer Shares are issued.

Restricted term deposit

As of December 31, 2016 and 2017, we had restricted term deposit of approximately HK$41.4 million and HK$45.0 million, respectively. As a result of our change in the change in shareholding structure of Tour East Canada, we placed a term deposit that was held as security to the bank for the letters of guarantee issued to IATA, bearing an interest rate of 0.85%. Such term deposit matured on January 27, 2017, and was renewed throughout the year ended December 31, 2017, with the latest renewal bearing an interest rate of 1.0% and subsequently released in February 2018. Please refer to Note 21 to the Accountant's Report for further details.

Trade payables

Our trade payables primarily represent the tour costs payable to our suppliers, which amounted to approximately HK$0.1 million, HK$6,000 and HK$25,000 as of December 31, 2015, 2016 and 2017.

The following table sets forth our trade payables turnover days for the period indicated:

	Year ended December 31,		
	2015	2016	2017
Trade payables turnover days(Note)	1.1	0.8	0.2

Note: Trade payables turnover days are calculated as the average of the opening and closing trade payables divided by cost of sales of package tours for the same period and multiplied by the number of days in that period, (i.e. being 365 days for the year ended December 31, 2015 or 366 days for the year ended December 31, 2016 or 365 days for the year ended December 31, 2017).

Normally we have to settle the tour cost to ground operators before the departure of the tour. During the Track Record Period, we maintain relatively short trade payables turnover days, amounted to approximately 1.1 days, 0.8 days and 0.2 days for the years ended December 31, 2015, 2016 and 2017.

The following table sets forth an aging analysis of our trade payables based on invoice date as of the dates indicated.

	As of December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
0 to 30 days	109	6	24
31 to 60 days	—	—	1
61 to 90 days	—	—	—
Over 90 days	—	—	—
	109	6	25

The trade payables as of December 31, 2017 mainly represented payables to a number of travel products and services suppliers. As of the Latest Practicable Date, all of our trade payables as of December 31, 2017 were settled.

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

Accruals and other payables

As of December 31, 2015, 2016 and 2017, our Group had accruals and other payables of approximately HK$54.0 million, HK$76.6 million and HK$94.8 million, respectively. The following table sets forth our accruals and other payables as of the dates indicated:

	As of December 31,		
	2015	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Payables to airlines	21,144	25,664	47,286
Receipt in advance	15,219	29,061	25,758
Accrued expenses	4,514	5,009	5,350
Accrued staff costs and management fees	3,603	3,989	1,760
Deferred revenue	3,516	5,370	7,132
Sales tax payable	905	1,162	791
Payables to travel agents	1,702	1,490	1,198
Other payables(Note)	3,386	4,856	5,526
	53,989	76,601	94,801

Note: Other payables mainly include a security deposit from our customer, service fee payables to Beijing Dynasty, Tour East Points, accrued expense to GDS providers.

Payables to airlines

Payables to airlines mainly represent the payables for air tickets purchased. Our payables to airlines increased by approximately HK$4.6 million or 21.8% from approximately HK$21.1 million as of December 31, 2015, to approximately HK$25.7 million as of December 31, 2016, and further increased by approximately HK$21.6 million or 84.0% to approximately HK$47.3 million as of December 31, 2017. If not taking into account the translation difference due to the fluctuation of CAD against HK$, the continuing increase was generally in line with the increase in gross sales proceeds of air ticket. The significant increase of payables to airlines from December 31, 2016 to December 31, 2017 was mainly due to the timing difference, given the payables as of December 31, 2017 included outstanding payables of two payment cycles, of which the weekly payment obligation was arisen while the previous weekly payment obligation was not due and thus our Group had not yet settled. Our payment terms during the Track Record Period is generally up to ten days after weekly closing. For illustrative purpose, our turnover days for payables to airlines amounted to approximately 2.2 days, 2.3 days and 3.3 days, respectively. As of the Latest Practicable Date, all of our payables to airlines as of December 31, 2017 were settled.

Receipt in advance

The receipt in advance represents the advance from a customer for the travel business process management, mainly comprised of amounts collected from Customer A in advance for settlement to the airlines on behalf of Customer A of approximately HK$15.2 million, HK$29.1 million and HK$25.8 million as of December 31, 2015, 2016 and 2017, respectively.

Accrued expenses

Our accrued expenses mainly represent (i) our accrued travel products and services costs of our suppliers for which we had not received the invoices; and (ii) accrued expenses for a compensation fund mainly payable to TICO which are settled semi-annually, at CAD0.2 per gross sale of every CAD1,000. Our accrued expenses increased by approximately HK$0.5 million or 11.1% from approximately HK$4.5 million as of December 31, 2015 to approximately HK$5.0 million as of December 31, 2016, and further increased by approximately HK$0.4 million, or 8.0%, to approximately HK$5.4 million as of December 31, 2017. If not taking into account the translation difference due to the fluctuation of CAD against HK$, our accrued expenses denominated in CAD remained relatively stable.

Accrued staff costs and management fees

Our accrued staff costs and management fees mainly represent accrued salaries, incentive bonuses and management fees payable to our Directors. Our accrued staff costs and management fee increased by approximately HK$0.4 million or 11.1% from approximately HK$3.6 million as of December 31, 2015 to approximately HK$4.0 million as of December 31, 2016. If not taking into account the translation difference due to the depreciation of CAD against HK$, our accrued staff costs and management fees denominated in CAD remained relatively stable. Our accrued staff costs and management fees decreased by approximately HK$2.2 million or 55.0% from approximately HK$4.0 million as of December 31, 2016 to approximately HK$1.8 million as of December 31, 2017. If not taking into account the translation difference due to the appreciation of CAD against HK$, the decrease in accrued staff costs and management fees was mainly attributable to the fact that the accrued staff costs and management fees as of December 31, 2016 included (i) the payable of discretionary bonus whereas no such bonus was included as of December 31, 2017; and (ii) the severance payment payables for two staff whereas there were no such payables as of December 31, 2017.

Deferred revenue

Our deferred revenue mainly represent the advances from our travel products and services customers from sales of tours and signing bonus from our GDS provider. Our deferred revenue increased by approximately HK$1.9 million or 54.3% from approximately HK$3.5 million as of December 31, 2015 to approximately HK$5.4 million as of December 31, 2016. If not taking into account the translation difference due to the depreciation of CAD against HK$, the increase in deferred revenue from as of December 31, 2015 to as of December 31, 2016, represented the increase in advance from customers of our travel products and services segment. Our deferred revenue increased by approximately HK$1.7 million or 31.5% from approximately HK$5.4 million as of December 31, 2016 to approximately HK$7.1 million as of December 31, 2017. If not taking into account the translation difference due to the appreciation of CAD against HK$, the increase was mainly due to signing bonus from a GDS provider which we received such from it when we renewed the contract with it for subscribing such GDS which will be amortized over the term of subscription.

Payables to travel agents

Payables to travel agents mainly represent margin payables owing to travel agents when our Group as merchant for credit card sales which we would repay the margin in the full fare of air tickets sold by the travel netting off the fares of the air tickets we sold to the travel agents. Our payables to travel agents decreased by approximately HK$0.2 million or 11.8% from approximately HK$1.7 million as of December 31, 2015 to approximately HK$1.5 million as of December 31, 2016, and further decrease by approximately HK$0.3 million, or 20.0%, to approximately HK$1.2 million as of December 31, 2017. If not taking into account the translation difference due to the fluctuation of CAD against HK$, such decrease was mainly because we settle more outstanding amount before the year end.

Redeemable preference shares

Subsequent to a series of transfers and redemptions of common shares and preference shares prior to the Track Record Period, our Group had class A preference shares held by Mrs. Tsang, CC Connect, RT Group, Ms. Tsu, AT Holdings, Dr. Chu and DC Holdings, and Class C special shares held by Mrs. Tsang during the Track Record Period respectively. As of December 31, 2015 and 2016, Tour East Canada had 8,800,000 and 7,000,000 outstanding Class A preference shares respectively, with the following features:

- 6% non-cumulative discretionary dividends;
- redeemable and retractable at the option of the holders or Tour East Canada any time at CAD1.26 per share; and
- priority in distribution to common shareholders in the event of liquidation.

During the years ended December 31, 2015 and 2016, 1,200,000, and 1,800,000 Class A preference shares were redeemed amounted to approximately HK$8.5 million and HK$13.5 million, respectively.

We also had 775 Class C special shares of Tour East Canada, held by Mrs. Tsang during the Track Record Period, with the following feature:

- redeemable and retractable at the option of the holders of Class C special shares or Tour East Canada any time at CAD0.10 per share.

We have recognized these redeemable preference shares as current liability on the consolidated statements of financial position as these shares are redeemable at the option of the relevant holders at any time.

On October 9, 2017, the redeemable preference shares were exchanged for common shares. Please refer to "History, Reorganization and Corporate Structure — Reorganization" for further details.

Amounts due from/(to) related companies

The following table sets forth a summary of our Group's amount due from/(to) related parties:

	As of December 31,		
	2015	2016	2017
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
Non-trade			
Amount due from a related company	870	—	—
Trade			
Amount due from/(to) a related company	(34)	(817)	—

The amount due from a related company which is non trade nature represented the advances to 1372979 Ontario Inc., which was disposed of on January 1, 2017 to an Independent Third Party.

The amount due from/(to) a related company which is trade nature represented the net balances of the fees receivables/(payables) to Beijing Dynasty. During the Track Record Period, we procured certain mid-office and back-office support services, such as transaction reconciliation and after sales services from Beijing Dynasty in China for our transactions with PRC customers given the time zone difference between Canada and China. We also occasionally procured travel products and services from Beijing Dynasty and it would also procure travel products and services from us when necessary. It is expected that the transactions with Beijing Dynasty will continue after Listing. The non-trade balance due from a related party during the Track Record Period had been settled as of the Latest Practicable Date. For details, please refer to Note 31 to the Accountant's Report.

The amounts due from/(to) the related companies were unsecured, interest-free and repayable on demand. The carrying value of these balances approximated their fair values at each reporting date and were denominated in CAD.

INDEBTEDNESS

Bank borrowings

As of December 31, 2015, 2016 and 2017, our bank borrowings amounted to approximately HK$0.2 million, HK$62,000 and HK$37.2 million, respectively. The following table sets forth the breakdown of our bank borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2015	**2016**	**2017**	**2018**
	(HK$ '000)	*(HK$ '000)*	*(HK$ '000)*	*(HK$ '000)* *(Unaudited)*
Interest-bearing bank loans				
CAD denominated				
— Current	—	—	37,243	36,579
USD denominated				
— Current	155	62	—	—
— Non-current	62	—	—	—
	217	62	37,243	36,579

The following table sets forth our bank borrowings due for repayment as of the dates indicated based on the scheduled repayment dates set out in the loan agreement.

	As of December 31,			As of April 30,
	2015	**2016**	**2017**	**2018**
	(HK$ '000)	*(HK$ '000)*	*(HK$ '000)*	*(HK$ '000)* *(Unaudited)*
Interest-bearing bank loans				
— Within 1 year	155	62	37,243	36,579
— Between 1 and 2 years	62	—	—	—
— Between 2 and 5 years	—	—	—	—
	217	62	37,243	36,579

The carrying amounts of our bank borrowings were denominated in USD and CAD. The weighted average interest rates of our bank borrowings for the years ended December 31, 2015, 2016 and 2017 were approximately 4.8%, 4.2% and 3.1%, respectively.

As of December 31, 2015, 2016, 2017 and April 30, 2018, we had banking facilities available in the form of letters of guarantee of approximately HK$7.3 million, HK$60.5 million, HK$195.9 million and HK$112.1 million respectively and as of December 31, 2017 and April 30, 2018, we had a banking facilities available in the form of non-revolving loan of approximately HK$68.5 million and HK$67.3 million. The banking facilities, including the letters of guarantee and the non-revolving loan which is on demand in nature by the bank, have been utilized by our Company, for the purpose of providing financial securities or guarantee to various airline suppliers as well as

ARC and IATA for operating activities. As of December 31, 2015 and 2016, the banking facilities were, among others, guaranteed by Mrs. Tsang, Ms. Tsu and/or Dr. Chu and secured by, among others, properties owned by them and related parties. Such personal guarantees from Mrs. Tsang, Ms. Tsu and/or Dr. Chu had been released as of the Latest Practicable Date. As of December 31, 2016 and 2017, the banking facilities were also secured by, among others, a guarantee from a crown corporation in Canada, an enterprise wholly owned by the Government of Canada, in the amount of approximately HK$23.1 million and HK$56.0 million and a restricted term deposit in the amount of HK$41.4 million and HK$45.0 million respectively.

Approximately HK$1.1 million, HK$14.4 million, HK$121.5 million and HK$37.9 million of the banking facilities available in the form of letters of guarantees were unutilized and approximately HK$6.2 million, HK$46.1 million, HK$74.4 million and HK$74.2 million were utilized as of December 31, 2015, 2016, 2017 and April 30, 2018 respectively. Out of the utilized letters of guarantees, approximately HK$0.6 million, HK$42.1 million, HK$69.3 million and HK$68.9 million were issued to IATA and ARC and the remaining were issued to our major suppliers, which are mainly airline. We have unutilized facilities for the demand non-revolving loan of approximately HK$31.2 million and HK$30.7 million as of December 31, 2017 and April 30, 2018 respectively. Our total unutilized banking facilities amounted to approximately HK$1.1 million, HK$14.4 million, HK$152.7 million and HK$68.6 million as of December 31, 2015, 2016, 2017 and April 30, 2018.

In February 2018, one of our letters of credit in the amount of approximately CAD11.0 million issued by a bank in favor of IATA as a bank guarantee, was permitted to expire. Such guarantee was secured by a restricted term deposit to the bank which amounted to CAD7.2 million (equivalent to HK$46.1 million) and was released then. On April 3, 2018, we have obtained a new letter of credit from another bank in the amount of approximately CAD11.0 million for provision of guarantee to IATA. Pursuant to the new letter of credit, no deposit was requested by the bank for providing such guarantee to IATA.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that they were not aware of any material covenants relating to any of our outstanding debts, and we had complied with all covenants contained in our banking facilities agreements. Our Directors further confirm that, during the Track Record Period and up to the date of this prospectus, they were not aware of any material defaults in payment of our trade and other payables and bank borrowings.

Loans from shareholders

In addition to our bank borrowings, we also had loans from Shareholders of approximately HK$29.4 million as of December 31, 2016 for the restricted term deposit for IATA, which were unsecured and had an interest rate of 3% per annum. The loans from Shareholders have been fully repaid in June 2017.

Furthermore, we provided certain financial guarantees to Ms. Tsu, Mrs. Tsang and Dr. Chu, as a result of for the mortgage of our head office property personally held by them, which was released on September 8, 2017. Please refer to Note 31 of the Accountant's Report in Appendix I to this prospectus for further details.

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

Our Directors confirm that, except as disclosed in this prospectus, we did not have any material external financing plans as of the Latest Practicable Date.

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

STATEMENT OF INDEBTEDNESS

As of April 30, 2018, being the latest practicable date for the purpose of this indebtedness statement:

- we had secured short-term bank borrowings of approximately HK$36.6 million (equivalent to CAD6.0 million) which was secured by trade and other receivables and cash and cash equivalents of our Group.

Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, finance leases or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as of April 30, 2018, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors have confirmed that there had not been any material change in the indebtedness, capital commitments and contingent liabilities of our Group since April 30, 2018, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, and up to the Latest Practicable Date.

OPERATING LEASE COMMITMENTS

We lease a number of our premises under non-cancellable operating lease arrangements, including the head office location owned by Mrs. Tsang, Ms. Tsu and Dr. Chu, retail branches and region offices premises. The leases are for various terms and are generally renewable at the end of the lease period at market rate. Our future aggregate minimum lease payments under non-cancellable operating leases as of the dates indicated are set forth below:

	As of December 31,		
	2015	**2016**	**2017**
	(HK$'000)	*(HK$'000)*	*(HK$'000)*
No later than one year	2,556	2,715	2,549
Later than one year and no later than five years	4,329	3,158	1,319
	6,885	5,873	3,868

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consist of (i) purchase of property, plant and equipment of approximately HK$1.8 million, HK$1.1 million and HK$3.6 million; and (ii) purchase of intangible assets of approximately HK$0.2 million, HK$2.2 million and HK$3.4 million for the years ended December 31, 2015, 2016 and 2017, respectively. We financed our capital expenditures primarily through cash generated from our operating activities. Save for the planned usage of net proceeds from the Share Offer as disclosed in the section headed "Future Plans and Use of Proceeds" in this prospectus, our Group had no material planned capital expenditures and capital commitments as of the Latest Practicable Date.

PROPERTY INTERESTS

As of the Latest Practicable Date, we leased nine properties in Canada and one property in New York for used as our offices and branches. For details, please refer to the section headed "Business — Properties" in this prospectus. We did not own any properties during the Track Record Period and as of the Latest Practicable Date.

RELATED PARTIES, RELATED PARTY TRANSACTIONS AND BALANCES

We enter into transactions with certain related parties during the Track Record Period. It is expected that rental expenses of branch and office premises and transactions with Beijing Dynasty including procurement of certain mid-office and back-office support services and travel products and services, and sales of travel products and services, will continue after Listing even though Beijing Dynasty ceased to be a related party on January 1, 2017. The transactions were conducted in the ordinary course of business of our Group, and they were mutually agreed by both parties at a fixed sum or charged based on cost incurred.

To the best knowledge of our Directors, Beijing Dynasty and Beijing Dynasty International Convention and Exhibition Co. Ltd.* (北京漢唐國際會議展覽有限公司) ("**Beijing Dynasty MICE**"), were owned in 2011 by 1372979 Ontario, which was then held by Mrs. Tsang, Ms. Tsu and Dr. Chu, and thus were treated as our related parties prior to the Disposal. To the best knowledge of our Directors, Beijing Dynasty is primarily engaged in China inbound tours, travel products and services and providing support services as well as organizing and facilitating tours for meetings, corporate incentives and conferences through its subsidiary, Beijing Dynasty MICE.

With respect to travel products or services, depending on the amount of the purchase orders or categories of travel elements, our Group generally obtains quotes prior to engaging suppliers (including Beijing Dynasty) for travel products or services and compares among quotations and chooses the reasonable or favorable ones. It is the general policy of our Group to prepare costing sheet to summarize quoted costs of various travel elements obtained from the suppliers or individual vendors, including those transactions from Beijing Dynasty. We primarily priced our travel products and services, including those transactions to Beijing Dynasty, on the cost-plus basis, based on such costing sheet, and the minimum target profit margin of each specific products or services determined by us. Our Group would also occasionally procured travel products and services from Beijing Dynasty and Beijing Dynasty would also procure travel products and services from us when necessary before and after the Disposal. The transaction amounts of procurement of travel products and services from and to Beijing Dynasty before the Disposal amounted to approximately HK$3.1 million and HK$3.1 million and HK$0.2 million and HK$0.2 million for the years ended December 31, 2015 and 2016 respectively. Whereas based on the consolidated financial statement of our Group, the transaction amounts of procurement of travel products and services from and to Beijing Dynasty after the Disposal for the year ended December 31, 2017 were minimal, which amounted to approximately HK$14,000 and HK$0.2 million, respectively.

Given there is a need for outsourcing mid-office and back-office services due to the time zone difference between Canada and China and having considered the local presence of Beijing Dynasty and the past experience for rendering services for our Group, our Group continued to engage Beijing Dynasty for mid-office and back-office support services, such as transaction reconciliation and after sales services from Beijing Dynasty for transactions with our PRC customers after the Disposal. Pursuant to the service agreements signed between Beijing Dynasty and Tour East Canada and Tour East New York on October 21, 2017 (the "**Service Agreements**") with the purpose of formalizing the scope and pricing terms of mid-office and back-office support services since the commencement of the Track Record Period and up to October 21, 2018, being one year from the date of the Service Agreements, the service fee charged by Beijing Dynasty is primarily calculated based on the fixed schedule of fees and variables such as the number of air tickets issued. The fixed schedule of fees is mutually agreed by both parties, taking into account of the workload on required transaction reconciliation and after sales services and the comparable service fee quoted by our Group from other service providers. The service fees paid to Beijing Dynasty before the Disposal for each of the years ended December 31, 2015 and 2016 amounted to approximately HK$3.0 million and HK$6.2 million respectively. Based on the consolidated financial statement of our Group, the transaction amounts of service fees incurred to Beijing Dynasty after the Disposal amounted to approximately HK$8.1 million for the year ended December 31, 2017.

Based on its unaudited financial information, Beijing Dynasty recorded profit of approximately RMB1.7 million and RMB1.4 million for the years ended December 31, 2015 and 2016, respectively. We have established a business relationship with Beijing Dynasty since July 2013, and have not experienced any material adverse change in such relationship since then. Based on the unaudited financial information of Beijing Dynasty, its revenue generated from transactions with our Group accounted for approximately 32.1% and 60.6% of the total revenue of Beijing Dynasty for the years ended December 31, 2015 and 2016. The relatively higher percentage in the year ended December 31, 2016 was mainly due to the higher support services fee paid by our Group from an increase in transaction volume.

As confirmed by the management of our Group and based on the unaudited financial information of Beijing Dynasty MICE during the Track Record Period, there were no transactions between our Group and Beijing Dynasty MICE during the Track Record Period.

Based on the unaudited financial information of 1372979 Ontario Inc., which included Beijing Dynasty, Beijing Dynasty MICE, SH TE and BJ TE (the "**1372979 Group**"), the revenue of the 1372979 Group amounted to approximately HK$21.6 million and HK$17.9 million for the years ended December 31, 2015 and 2016 respectively and the profit of the 1372979 Group amounted to approximately HK$1.0 million and HK$0.8 million for the years ended December 31, 2015 and 2016, respectively.

As confirmed by Mrs. Tsang, Ms. Tsu and Dr. Chu and based on the unaudited financial information of SH TE and BJ TE, SH TE did not generate revenue for the two years ended December 31, 2016 and BJ TE did not generate revenue for the two years ended December 31, 2016.

Mrs. Tsang, Ms. Tsu and Dr. Chu decided to dispose 1372979 Ontario Inc. after taking into consideration of (i) their desire to focus their time, resources and efforts on business in North America; (ii) the difficulties of managing PRC-based companies due to the different geographical location and time zone of the management team; and (iii) the accumulated deficit position of 1372979 Group. Beijing Dynasty is thus no longer a related party of our Group upon the Disposal. All related party balances which are non-trade in nature had been fully settled as of the Latest Practicable Date. Having considered that the amounts of these related party transactions are not material as compared to our Group's revenue and they were conducted on arm's length basis as a whole, our Directors are of the view that the aforesaid related party transactions did not distort our financial results during the Track Record Period or cause our Track Record Period results to be unreflective of our future performance. Our Directors further confirm that the pricing terms for transactions with Beijing Dynasty remain unchanged subsequent to the Disposal.

For further details on related party balances and transactions, please refer to Note 31 of the Accountant's Report in Appendix I to this prospectus.

For details of rental expenses of branch and office premises that will continue after Listing, please refer to the section headed "Connected Transactions" in this prospectus.

OFF-BALANCE SHEET TRANSACTIONS

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

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	For the year ended December 31,		
	2015	2016	2017
Net profit margin before interest and tax (%)*(Note 1)*	25.2	31.9	12.3
Net profit margin (%)*(Note 2)*	18.7	22.9	8.0
Return on equity (%)*(Note 3 and 10)*	N/A	N/A	19.1
Return on total assets (%)*(Note 4)*	29.4	21.2	6.3
Interest coverage (times)*(Note 5)*	2,455.3	59.7	18.6

	As of December 31,		
	2015	2016	2017
Current ratio (times)*(Note 6)*	0.7	1.2	1.4
Quick ratio (times)*(Note 7)*	0.7	1.2	1.4
Gearing ratio (%)*(Note 8)*	N/A	N/A	57.6
Debt-to-equity ratio (%)*(Note 9)*	N/A	N/A	N/A

Notes:

(1) Net profit margin before interest and tax is calculated based on the net profit (excluding other comprehensive income/(loss)) netting off the interest and tax expense for the financial year divided by total revenue for the financial year multiplied by 100%.

(2) Net profit margin is calculated based on the net profit attributable to owners of our Company for the financial year divided by total revenue for the financial year and multiplied by 100%.

(3) Return on equity is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year divided by equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.

(4) Return on total assets is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year divided by total assets at the end of the financial year and multiplied by 100%.

(5) Interest coverage is calculated based on the profit before interest and tax for the financial year divided by interest expenses for the financial year.

(6) Current ratio is calculated based on the total current assets at the end of the financial year divided by the total current liabilities at the end of the financial year.

(7) Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year divided by the total current liabilities at the end of the financial year.

(8) Gearing ratio is calculated based on total debt at the end of the financial year divided by total equity at the end of the financial year and multiplied by 100%.

(9) Debt-to-equity ratio is calculated based on net debt at the end of the financial year divided by total equity at the end of the financial year and multiplied by 100%. Net debt is defined to include all borrowings net of cash and cash equivalents.

Net profit margin and net profit margin before interest and tax

Our Group recorded net profit margin of approximately 18.7%, 22.9% and 8.0% for the years ended December 31, 2015, 2016 and 2017 respectively. The growth in our net profit margin for the years ended December 31, 2015 and 2016 was mainly attributable to the continuous increase in our revenue from air ticket distribution segment. The significant decrease of our net profit margin for the year ended December 31, 2017 was primarily attributable to (i) lower revenue generated from our incentive commissions from airline suppliers and (ii) the non-recurring Listing expenses incurred. Our net profit margin before interest and tax was approximately 25.2%, 31.9% and 12.3% for the years ended December 31, 2015, 2016 and 2017 respectively, which was generally in line with the trend of our net profit margin.

Return on equity

Our Group had a negative other reserve due to the redeemable preference shares as of December 31, 2015 and 2016 which result in deficit as of December 31, 2015 and 2016. As the redeemable preference shares were exchanged for common shares on October 9, 2017, our Group recorded equity as of December 31, 2017 and the return on equity for the corresponding financial year was 19.1%.

Return on total assets

Our Group had return on total assets of approximately 29.4%, 21.2% and 6.3% for the years ended December 31, 2015, 2016 and 2017 respectively. The decrease in our return on total assets from December 31, 2015 to December 31, 2016 was mainly driven by the increase in our total assets due to the increase in restricted term deposit as of December 31, 2016 and the effect of which outweigh the increase in our net profit for the year ended December 31, 2016 as compared to the previous financial year. The further decrease in our return on total assets from December 31, 2016 to December 31, 2017 was mainly driven by the decrease in net profit due to the increase in non-recurring Listing expenses incurred.

Interest coverage

Our interest coverage decreased from approximately 2,455.3 times for the year ended December 31, 2015 to approximately 59.7 times for the year ended December 31, 2016. The lower interest coverage for the year ended December 31, 2016 was mainly due to increase in interest expense on loans from shareholders with an interest rate of 3% per annum. Our interest coverage decreased from approximately 59.7 times for the year ended December 31, 2016 to approximately 18.6 times for the year ended December 31, 2017. Such decrease was mainly due to decreased in profit before interest and tax due to the Listing expenses of approximately HK$19.6 million incurred during the year ended December 31, 2017.

Current ratio and quick ratio

Our current ratio increased from approximately 0.7 times as of December 31, 2015 to approximately 1.2 times as of December 31, 2016. Such increase was primarily attributable to the increase in our current asset from approximately HK$83.2 million as of December 31, 2015 to approximately HK$159.2 million as of December 31, 2016. Such increase was mainly as a result of increase in restricted term deposit of approximately HK$41.4 million. The restricted term deposit was held as a security in favor of the bank for the letters of guarantee issued to IATA. Our current ratio remained relatively stable at approximately 1.4 times as of December 31, 2017 as compared to approximately 1.2 times as of December 31, 2016.

As we do not carry inventories, our Group's quick ratio was equivalent to our current ratio.

Gearing ratio

Our Group had a negative other reserve due to the redeemable preference shares classified as a liability as of December 31, 2015 and 2016, which resulted in a deficit as of December 31, 2015 and 2016. Accordingly, the gearing ratio was not applicable as of December 31, 2015 and 2016. We had gearing ratio of approximately 57.6% as of December 31, 2017. It was mainly due to borrowing of approximately HK$37.2 million and equity of approximately HK$64.7 million as of December 31, 2017.

Debt-to-equity ratio

Our Group had net cash position as of December 31, 2015, 2016 and 2017. Accordingly, debt-to-equity ratio was not applicable to our Group.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT FINANCIAL RISK

Our Group's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk and liquidity risk. Our overall risk management approach focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our Group's financial performance. Please refer to Note 3 to the Accountant's Report for further details of the financial risk management.

SENSITIVITY AND BREAKEVEN ANALYSES

Sensitivity analysis

Our revenue comprised of revenue from (i) air ticket distribution; (ii) travel business process management; and (iii) travel products and services, which amounted to approximately HK$136.2 million, HK$153.2 million and HK$153.9 million for each of the years ended December 31, 2015, 2016 and 2017, respectively. Our cost of sales comprised of (i) cost of package tours and tickets; and (ii) employee benefit expenses, which amounted to approximately HK$55.6 million, HK$54.0 million and HK$55.7 million for each of the years ended December 31, 2015, 2016 and 2017, respectively, representing approximately 40.8%, 35.2% and 36.2% of the total revenue for the respective periods.

The following table sets forth the sensitivity analysis on our revenue and cost of sales, based on their respective average historical fluctuation of approximately 6.5% and 3.0% for the years ended December 31, 2015, 2016 and 2017 respectively and average historical fluctuation of CAD against HK$ of approximately 3.1% for the years ended December 31, 2015, 2016 and 2017, and their effects on our Group's profit before tax for each financial year during the Track Record Period with all other variables held constant:

	Increase/ (decrease) in percentage	Increase/(decrease) in profit before tax		
		Year ended December 31,		
		2015	2016	2017
		HK\$'000	*HK\$'000*	*HK\$'000*
Revenue	6.5%	8,853	9,956	10,001
	(6.5)%	(8,853)	(9,956)	(10,001)
Cost of sales	3.0%	1,667	1,621	1,671
	(3.0)%	(1,667)	(1,621)	(1,671)
CAD : HK\$	3.1%	1,064	1,490	555
	(3.1)%	(1,064)	(1,490)	(555)

The following table further sets forth the sensitivity analysis on (i) gross sales proceeds of air tickets distribution and travel business process management fees from Customer A based on average historical fluctuation of air tickets distribution and travel business process management fees from Customer A during the Track Record Period of approximately 15.2% and 13.1% respectively; (ii) average rate of margin income from selling air tickets based on average historical fluctuation of rate of margin income during the Track Record Period of approximately 10.2%; (iii) average rate for incentive commission income from airline suppliers based on average historical fluctuation of rate of incentive commission income during the Track Record Period of approximately 7.9%; and (iv) the quantity of air ticket sold and respective average margin income of each air ticket distributed based on average historical fluctuation of the quantity of air ticket sold during the Track Record Period of approximately 26.1%, and their respective effects on our Group's revenue and profit before tax for each financial year during the Track Record Period with all other variables held constant:

	Increase/ (decrease) in percentage	Increase/(decrease) in revenue and profit before tax		
		Year ended December 31,		
		2015	2016	2017
		HK\$'000	*HK\$'000*	*HK\$'000*
(i) Gross sales proceeds of air tickets distribution; and (ii) travel business process management fees from Customer A (Note 1)	15.2% for (i) and 13.1% for (ii)	4,030	4,499	5,348
	(15.2)% for (i) and (13.1)% for (ii)	(4,030)	(4,499)	(5,348)
Average rate of margin income from selling air tickets (Note 2)	10.2%	2,073	3,000	3,247
	(10.2)%	(2,073)	(3,000)	(3,247)
Average rate for incentive commission income from airlines (Note 3)	7.9%	3,628	4,571	4,312
	(7.9)%	(3,628)	(4,571)	(4,312)
Quantity of air tickets sold	26.1%	5,304	7,678	8,308
	(26.1)%	(5,304)	(7,678)	(8,308)

Notes:

1. Assuming average rate of margin income from total gross sales proceed of air tickets distribution for the year applies to the gross sales proceeds of air tickets distributed to Customer A.

2. The average rate of margin income from selling air tickets was based on the ratio of margin income from selling of air tickets to the gross sales proceeds for each financial year during the Track Record Period.

3. The average rate of commission rate for incentive commission income from airline suppliers was based on the ratio of incentive commission from airline suppliers to the gross sales proceeds for each financial year during the Track Record Period.

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

Breakeven analysis

For the year ended December 31, 2015, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 25.2% or increase in cost of sales by approximately 61.8%, our Group would achieve breakeven.

For the year ended December 31, 2016, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 31.4% or increase in cost of sales by approximately 89.0%, our Group would achieve breakeven.

For the year ended December 31, 2017, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 11.6% or increase in cost of sales by approximately 32.1%, our Group would achieve breakeven.

DIVIDEND AND DISTRIBUTABLE RESERVES

Our Directors intend to strike a balance between maintaining sufficient capital to grow our business and rewarding our Shareholders. The declaration of future dividends will be subject to our Directors' decision and will depend on factors such as our earnings, financial condition, cash requirements and availability, and any other factors our Directors may consider relevant. The amount of dividend will be determined upon the completion of financial audit and will be referred to distributable profit shown on audited financial report. We may distribute dividends in amounts not less than 35% of our net profit for a financial year by way of cash or by other means when we consider appropriate. As these factors and the payment of dividends is at the discretion of our Board, which reserves the right to change its plan on the payment of dividends, there is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future.

During the year ended December 31, 2015, the board of directors of Tour East Canada declared the payment of dividends to their shareholders at CAD20,000 per common share totaling approximately HK$12.2 million. No dividends were declared during the years ended December 31, 2016 and 2017.

Our Company was incorporated on August 18, 2017 and there was no distributable reserve as of December 31, 2015, 2016 and 2017, respectively.

DISCLOSURE PURSUANT TO THE LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group prepared based on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to the owners of our Company as of December 31, 2017. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Share Offer been completed as of December 31, 2017 or any future dates.

	Audited consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2017	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets of our Group attributable to the owners of our Company**	**Unaudited pro forma adjusted net tangible assets per Share**
	Note 1	*Note 2*		*Note 3*
	(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
Based on an Offer Price of HK$0.302 per Share after a Downward Offer Price Adjustment of approximately 10%	60,398	54,211	114,609	0.10
Based on an Offer Price of HK$0.335 per Share	60,398	63,121	123,519	0.10
Based on an Offer Price of HK$0.425 per Share	60,398	87,421	147,819	0.12

Notes:

(1) The audited consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2017 is extracted from the Accountant's Report set forth in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the owners of our Company as of December 31, 2017 of HK$64,697,000 with an adjustment for the intangible assets as of December 31, 2017 of HK$4,299,000.

(2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK$0.335 and HK$0.425 per Share, respectively, and also based on an Offer Price of HK$0.302 per Offer Share after making a Downward Offer Price Adjustment of approximately 10%, after deduction of estimated underwriting fees and other related expenses payable by our Group (excluding approximately HK$19,571,000 listing expenses which have been charged to our consolidated statement of comprehensive income up to December 31, 2017) and takes no account of any Shares which may be granted and issued by our Company pursuant to the exercise of the Over-allotment Option and any option that may be granted under the share option scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the General Mandate and the Buyback Mandate.

(3) The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in the paragraph above and on the basis that 1,200,000,000 Shares are in issue (assuming that the Share Offer has been completed on December 31, 2017), without taking into account of any Shares which may be granted and issued by our Company pursuant to the exercise of the Over-allotment Option and any option that may be granted under the share option scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the General Mandate and the Buyback Mandate.

(4) Save as disclosed in Note (3) above, no adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2017.

POST BALANCE SHEET EVENTS

Please refer to the section headed "Summary — Recent Development and Material Adverse Change" in this prospectus and Note 33 to the Accountant's Report.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

For the recent developments and material adverse change of our business subsequent to the Track Record Period and up to the date of this prospectus, please refer to the section headed "Summary — Recent Development and Material Adverse Change" in this prospectus.