

### BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objective is to strengthen our position as a well-established air ticket consolidator, travel business process management provider and travel products and services provider in North America and create long-term shareholder value. We intend to achieve our business objective by continuing to expand our market share in the travel and tourism industry in North America, further strengthen our manpower and financial resources for our business operations and upgrade our information technology systems to enhance our operational efficiency and access to potential customers. Please refer to the section headed “Business — Business Strategies” in this prospectus for a detailed description of our future plans.

### REASONS FOR LISTING

Our Directors believe that the Listing is strategically critical to our long-term growth for the following reasons:

- (i) capital raised through the Share Offer would strengthen our capital base and provide us with the financial capability to implement our business strategies as set out in the section headed “Business — Business Strategies” in this prospectus;
- (ii) the Listing will provide us with direct access to the capital market for future fund raising exercise to assist in the business development needs which our Group may have from time to time whilst reducing reliance on internally generated funds and bank borrowings, thereby enhance our future sustainable growth;
- (iii) a public listing status will enhance our corporate profile, information transparency and corporate governance practices, which in turn will build up trust and/or provide higher confidence to our existing and new potential customers, suppliers and business partners, and hence increase our competitiveness;
- (iv) a public listing status will provide us with indirect complimentary advertising to raise our Group’s brand awareness and publicity on an international level, thereby making our products and services known to new potential customers, attract strategic investors for investment in and forming strategic partnerships directly with our Company; and
- (v) the Listing would broaden our shareholder base and enhance the liquidity of our Shares, as compared to the limited liquidity of our Shares that are privately held before the Listing.

Our cash and cash equivalents on hand amounted to approximately HK\$49.0 million, HK\$71.2 million and HK\$65.5 million as of December 31, 2015, 2016 and 2017 respectively, out of which (i) approximately HK\$16.8 million, HK\$14.9 million and HK\$26.3 million as of the respective dates were restricted cash held in trust accounts from travelers; and (ii) approximately HK\$15.2 million, HK\$29.1 million and HK\$25.8 million as of the respective dates were receipt in advance. Approximately HK\$17.0 million, HK\$27.2 million and HK\$13.4 million as of December 31, 2015, 2016 and 2017 were residual cash available to our Group.

Although there were no material delays or write-offs of receivables from our customers during the Track Record Period, our Directors consider it necessary to maintain sufficient level of

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liquidity to support our Group's daily operation. In particular, during and before peak seasons when the transaction amount are significant, in order to avoid any delays in payments which will adversely affect the business relationship between our Group and the airlines may have adverse impact on our Group's operation. For instance, for the year ended December 31, 2017, the highest payments to airlines after weekly closing by Tour East Canada and Tour East New York were approximately HK\$47.6 million and HK\$12.8 million, respectively. If our customers delayed their payment, our Group would not be able to meet payment obligations for airline suppliers. Moreover, for group air ticket bookings, airlines generally require travel agents to pay a deposit once a price quote has been agreed upon and settle payment in full within 45 days prior to the departure date. As such, our Group has to pay deposit on a timely basis in order to secure the available seats or the special offer provided by the airlines. Having considered the reasons above, our Directors decided to maintain our existing cash on hand to support the working capital requirement of our daily operation, while the net proceeds from the Share Offer, other than the repayment of bank borrowings, will help finance our development plans.

We are applying for listing in Hong Kong because of its well-established legal system, high level of internationalization and maturity in the global financial market, with sufficient institutional capital and funds following the companies listed in Hong Kong. Our Directors believe that the Listing in Hong Kong would, among other things, strengthen our capital base, and help raise our brand awareness and publicity on an international level, making our Company's services known to new potential customers. In addition, our Directors also believe that our customers may prefer to do business with a listed company given its reputation, listing status, public financial disclosures and general regulatory supervision by relevant Hong Kong regulatory bodies. Despite our Group no nexus to Hong Kong, our Directors believe that listing in Hong Kong us to higher liquidity and greater exposure to a wider analyst and investment community. Furthermore, given that Hong Kong has a stable currency pegged to USD, the Listing will enable our Group to have access to a stable capital market for future fund raising, should such need arise. Owing to the aforementioned reasons, our Directors decided to apply for a listing in Hong Kong.

### **USE OF PROCEEDS**

In the event that the Over-allotment Option is not exercised, we estimate the net proceeds of the Share Offer which we will receive, assuming an Offer Price of HK\$0.38 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), will be approximately HK\$55.7 million, after deduction of underwriting fees and commissions and other estimated expenses in connection with the Share Offer.

In the event the Over-allotment Option is exercised in full and assuming an Offer Price of HK\$0.38 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$15.4 million.

If the Offer Price is fixed at HK\$0.425 per Offer Share (being the high end of the Offer Price range stated in this prospectus), the net proceeds we receive will be (i) increased by approximately HK\$12.2 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK\$14.0 million, assuming the Over-allotment Option is exercised in full.

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If the Offer Price is fixed at HK\$0.335 per Offer Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be (i) reduced by approximately HK\$12.2 million, assuming the Over-allotment Option is not exercised; and (ii) reduced by approximately HK\$14.0 million, assuming the Over-allotment Option is exercised in full.

In the event that the Over-allotment Option is not exercised, we intend to use the net proceeds of the Share Offer of approximately HK\$55.7 million (assuming an Offer Price of HK\$0.38 per Offer Share) for the following purposes:

- approximately 43.2%, representing approximately HK\$24.1 million, will be used for repayment of our bank borrowings after Listing. According to the term of a banking facility, our Group shall repay the outstanding bridging loan in full within 30 days from the date of Listing or on June 30, 2022, provided that in the event that our Company is not yet listed on the Stock Exchange within 12 months from date of initial advance, our Group shall make monthly principal repayments and interest at a rate of approximately 2.7% to 3.2% which represented Bank of Canada prime rate plus up to 0.25% based on an amortization period of four years. The proceeds from the borrowings were primarily used for the payment of Listing expenses and the outstanding amount of the loan amounted to approximately HK\$37.2 million as of December 31, 2017;
- approximately 27.0%, representing approximately HK\$15.1 million, will be used for business expansion of air ticket distribution, among which approximately 16.2%, 0.7%, 6.5% and 3.6% of the net proceeds will be used for (i) developing tailor-made booking platforms and mobile booking applications in simplified and traditional Chinese for ethnic agencies; (ii) setting up customer services for Mandarin and Cantonese speaking travel agents to support the operational needs of new booking platforms; (iii) opening two regional offices to conduct sales and marketing activities to attract new customers; and (iv) upgrading our website to include online air ticket booking function and develop mobile booking applications for travelers, respectively;
- approximately 13.5%, representing approximately HK\$7.5 million, will be used for (i) upgrading our information technology infrastructure, including electronic documentation system, cloud database hosting system, information technology network, computer system and information security system; and (ii) installing our enterprise resource planning system;
- approximately 13.9%, representing approximately HK\$7.7 million, will be used for expanding our travel business process management team, among which approximately 12.3% and 1.6% will be used for expanding our business development team and purchasing service level management software, respectively; and
- approximately 2.4%, representing approximately HK\$1.3 million, will be used for (i) increasing publicity across all of our existing marketing channels, including participating in trade shows and industry exhibitions in Canada and the U.S. and advertizing through television, radio, newspapers, travel magazines and sponsorship to promote our brand, products and services; (ii) organizing seminars and conferences to solidify our relationship with existing customers and attract new potential customers;

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and (iii) conducting digital marketing activities directly and/or indirectly through third party marketing agency(ies).

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the midpoint of the proposed Offer Price range.

If we make a Downward Offer Price Adjustment to set the final Offer Price at HK\$0.302 per Offer Share, the estimated net proceeds we will receive from the Share Offer will be further reduced by an additional amount of approximately HK\$9.0 million from the low end of the indicative Offer Price range. To the extent our net proceeds are further reduced, we will adjust the above allocation on a pro rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

### IMPLEMENTATION PLAN

Our Group's implementation plans are set forth below for the period commencing from the Latest Practicable Date to December 31, 2020. Based on our Group's business strategies, our Directors intend to carry out the following implementation plans:

#### From the Latest Practicable Date to December 31, 2018

	Implementation plan	Use of proceeds
Repayment of bank loan	• Repayment of bank loan in the amount of HK\$24.1 million	Approximately HK\$24.1 million
Expand our air ticket distribution business	• Recruit one experienced IT project manager to develop IT project plans and manage project execution	Approximately HK\$0.3 million
Expand our travel business process management business	• Recruit two dedicated business development staff in Canada and three business development staff in the U.S. to conduct targeted sales and marketing activities through actively visiting targeted potential customers, participating or sponsoring industry trade fairs and exhibitions	Approximately HK\$0.4 million
	Total:	Approximately HK\$24.8 million

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**From January 1, 2019 to December 31, 2019**

	Implementation plan	Use of proceeds
Expand our air ticket distribution business	<ul style="list-style-type: none"> <li>Identify and engage suitable external IT consultant(s) to design and develop tailor-made booking platforms and mobile application in simplified and traditional Chinese</li> <li>Engage two senior developers, one intermediate developer and one junior developer to (i) review and enhance our website to include real-time online ticket booking function and post-booking monitoring function, and (ii) integrate mid-office and back office by implementing professional project management system for data mapping, transfer and analysis</li> <li>Identify and rent premises for setting up one regional office in Manitoba, enter into tenancy agreement and pay rental deposit and leasehold improvement</li> </ul>	Approximately HK\$11.3 million
Expand our travel business process management business	<ul style="list-style-type: none"> <li>Recruit five back office staff who will be responsible for customer support including handling phone enquiries, ticket booking, exchange and refund.</li> <li>Purchase service level management software to improve the quality of our services by monitoring application service levels against business objectives, define realistic, quantifiable service-level objectives, and track performance in real time</li> <li>Maintain the cost of additional staff</li> </ul>	Approximately HK\$1.6 million
Upgrade our existing IT systems	<ul style="list-style-type: none"> <li>Evaluate our existing IT systems and our needs and specifications</li> <li>Upgrade our IT infrastructure including electronic documentation system, cloud database hosting system, information technology network, computer system and information security system</li> <li>Identify and engage suitable external IT consultant(s) to design and develop an ERP system</li> </ul>	Approximately HK\$4.9 million

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	Implementation plan	Use of proceeds
Strengthen our marketing efforts	<ul style="list-style-type: none"> <li>● Increase publicity across all of our existing marketing channels, including participate in trade shows and industry exhibitions in Canada and the U.S. and advertise through television, radio, newspapers, travel magazines and sponsorship to promote our brand, products and services</li> <li>● Organize seminars and conferences to solidify our relationship with existing customers and attract new potential customers</li> <li>● Conduct digital marketing activities directly and/or indirectly through third party marketing agency(ies)</li> </ul>	Approximately HK\$0.5 million
	Total:	Approximately HK\$18.3 million

### From January 1, 2020 to December 31, 2020

	Implementation plan	Use of proceeds
Expand our air ticket distribution business	<ul style="list-style-type: none"> <li>● Testing and implementation of tailor-made booking platforms and mobile application in simplified and traditional Chinese</li> <li>● Identify and rent premises for setting up one regional office in Nova Scotia, enter into tenancy agreement and pay rental deposit and leasehold improvement</li> <li>● Full run of our professional project management system and further integrate our mid-office and back office</li> <li>● Running cost of Nova Scotia branch office</li> </ul>	Approximately HK\$3.5 million
Expand our travel business management business	<ul style="list-style-type: none"> <li>● Recruit additional two dedicated business development staff in Canada to conduct targeted sales and marketing activities through actively visiting targeted potential customers, participating or sponsoring industry trade fairs and exhibitions</li> </ul>	Approximately HK\$5.7 million

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	<u>Implementation plan</u>	<u>Use of proceeds</u>
	<ul style="list-style-type: none"> <li>Recruit 15 back office staff who will be responsible for customer support including handling phone enquiries, ticket booking, exchange and refund</li> <li>Testing and implementation of service level management software and further customization if required</li> </ul>	
Upgrade our existing IT systems	<ul style="list-style-type: none"> <li>Testing and implementation of the ERP system (payment of cloud services and application subscription fee)</li> <li>Upgrade our IT infrastructure including electronic documentation system, cloud database hosting system, information technology network, computer system and information security system</li> <li>Full run of new ERP system and further customization if required (payment of cloud services and application subscription fee)</li> </ul>	Approximately HK\$2.6 million
Strengthen our marketing efforts	<ul style="list-style-type: none"> <li>Increase publicity across all of our existing marketing channels, including participate in trade shows and industry exhibitions in Canada and the U.S. and advertise through television, radio, newspapers, travel magazines and sponsorship to promote our brand, products and services</li> <li>Organize seminars and conferences to solidify our relationship with existing customers and attract new potential customers</li> <li>Conduct digital marketing activities directly and/or indirectly through third party marketing agency(ies)</li> </ul>	Approximately HK\$0.8 million
Total:		Approximately HK\$12.6 million



### Expansion of air ticket distribution business

Our Directors consider the success of our expansion plan to gain additional market share in the air ticket midstream industry in Canada will hinge on our ability to (i) expand our customer base; and (ii) secure private fares from airlines. According to the CIC Report, there are more than 2,000 and 5,000 travel agents in Canada and in the U.S., respectively, out of which over 850 are our existing customers. In addition, we have not been supplying air tickets to any travel management companies in the past, some of which are our customers in the travel business process management business segment. As such, although the sales of air tickets in Canada and the U.S. is expected to grow at CAGR of 5.8% and 4.4% in terms of sale value from 2017 to 2022, respectively, our Directors envisage that there are considerable business opportunities and growth in the air ticket midstream industry in Canada and in the U.S., in particular, the Chinese population, that justify our Group's expansion plan.

Having considered (i) our well-established track record and high reputation in the Chinese community in Ontario; (ii) our understanding of specific business needs of ethnic travel agents and experience in dealing with Mandarin and Cantonese speaking travel agents; (iii) the increase in per capita disposable income of Chinese Canadian from approximately CAD42,055.6 in 2011 to CAD46,432.8 in 2016 at a CAGR of 2.0% and the increase in per capita disposable income of Chinese American from approximately US\$29,533.3 in 2011 to US\$33,663.0 in 2016 at a CAGR of 2.6%; and (iv) the growing population of Chinese community in Canada, including the Chinese immigrants and the Canadians of Chinese origin, our Directors considered that the demand from Chinese travel agents will increase accordingly and decided to target more Chinese travel agencies as the first step of our expansion in the air ticket midstream market in Canada. Our Directors will consider tackling other ethnic travel agents at a later stage when it is appropriate and suitable opportunities arise. Taking into account the lack of expertise of ethnic travel agents to deal effectively with the evolving travel technologies, limited/no access to the GDS and high level of manual activities for booking, ticketing, issuing, invoicing, collecting and payment processes, our Directors believe that it is of great importance to develop tailor-made booking platforms and/or applications as well as to set up new regional offices for reaching more customers. The booking platforms are computerized terminals linked to our centralized booking system which will enable the ethnic travel agents to access the real-time availability of the air tickets. Our Directors are of the view that booking platforms will (i) provide a cost effective way for the ethnic travel agents to view the wide selection of air tickets for various destinations so that they will be able to search and propose best combination of travel date/price to fulfill their clients' needs in a more convenient manner; and (ii) increase the level of automation of the ethnic travel agents and in turn improve their efficiency of booking, ticketing, issuing, invoicing, collecting and payment process. The tailor-made booking platforms will also allow us to provide solutions to meet our customers' specific requirements including, among other things, business volume, operational structure and level of sophistication in technology and build close relationships with them. We plan to (i) engage suitable external IT consultant(s) to design, develop and implement tailor-made booking platforms and mobile application in simplified and traditional Chinese for Chinese ethnic agencies; (ii) recruit around four Mandarin and Cantonese speaking staff to support the operational needs of new booking platforms designated for Chinese ethnic agencies; and (iii) engage a web developer to review and enhance our website to include online ticket booking function for travelers.



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We will identify suitable premises to set up our regional offices in Winnipeg in Manitoba province in or around March 2019 and Halifax in Nova Scotia province in or around March 2020 in Canada. Winnipeg will allow us to tap into two of Canada's fastest growing provinces in terms of population in Canada, Manitoba and Saskatchewan attracting well-educated professionals between ages of 35 to 50 in the field of agriculture, mining and finance. In particular, Saskatchewan, which is located near Manitoba province, is the potash capital of Canada and has many business dealings with China-based energy companies. Our Directors expect the fast population and economy growth will generate growing demand for air travel. Our proposed office to be set up in Halifax will provide services in Canada's four maritime provinces, i.e. Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island with high population of immigrants from English-speaking countries like England and Iceland. These provinces have always been serviced by smaller travel agents and none of our major competitors has a presence there to service them, therefore our Directors believe the competition is very limited. We plan to lease premises for the set-up of our regional offices in Winnipeg and Halifax due to its flexibility and lower capital investment.

Our Directors are confident that our ability to obtain a wide selection of private fares from various airlines allows us to establish pricing advantage, attract new customers and maintain existing customers. During the Track Record Period, we have secured private fares from around 70 airlines, including top airlines based in Canada, the United States and China, out of which over 50 airlines have entered into incentive commission arrangements with Tour East Canada and over 15 airlines have entered into incentive commission arrangements with Tour East New York. This demonstrates our Group's strong distribution capabilities, consistent high sales achievements and growing momentum to expand our air ticket distribution business to capture the emerging business opportunities.

### **Upgrade our existing IT systems**

Our Directors consider that our current e-ITS system, which was procured 14 years ago, is not advanced enough in view of the increasing demand on the speed and processing power. Since our sales, marketing and accounting functions of our e-ITS system are not integrated, the data processing are currently conducted semi-manually with relatively low performance efficiency. To cope with our business expansion, our Directors believe that it is necessary to upgrade our existing e-ITS system, so that the chain of our business operations, from the placing of purchase orders to the financial reporting, will be automated. We plan to purchase, test and implement the new ERP system in or around November 2019. The new ERP system will provide (i) invoice and order management function that capture all details of air ticket transactions including refund and exchange; (ii) report management function that generate accounting and management reports with details in ticket sales, segment-flown, interline fare breakdown, sales forecast and trend prediction; and (iii) electronic document control function that manage corporate documents and business transactions records such as invoice, itinerary, confirmation, eTicket, travel advisory, and customer feedback. We expect that the new ERP system will lower processing cost by eliminating manual adjustment, provide higher data accuracy and processing efficiency, and allow us to optimize profit through better revenue and yield management.

### **Expansion of travel business process management business**

Our Directors believe that we are in the early stages of penetrating a large and growing travel business process management market. According to the CIC Report, the accelerated pace of change in both the online travel agents sector and leading-edge travel technologies has been driving travel agents to outsource more non-core business processes and focus on their core competencies. As of the Latest Practicable Date, we had been providing travel business process management to 10 travel agents in Canada and the U.S., which we obtained mainly through referrals from our established supplier bases. According to the CIC Report, we ranked top three in terms of service revenue in 2017 with a market share of approximately 14.9% in travel business process management market in Canada. According to CIC, it is expected the travel business process management market will reach CAD52.1 million with a CAGR of 10.2% in Canada and USD574.6 million with CAGR of 5.4% in the United States by 2022. Leveraging our leading position in the travel business process management market in Canada, we plan to recruit four dedicated business development staff in Canada and three in the U.S. to conduct target sales and marketing activities through actively visits to potential customers, participating or sponsoring industry trade fairs and exhibitions to increase our publicity of travel business process management offerings. We also plan to recruit additional 20 back office staff who will be responsible for customer support including handling phone enquiries, ticket booking, exchange and refund.

Furthermore, as our service revenue generated from travel business process management business depends on the scope of services and level of services such as time cost incurred, transaction volume and labor cost, our Directors consider that it is important for us to measure the productivity of our travel business process management team accurately, effectively and timely. We plan to purchase service level management software to improve the quality of our services by monitoring application service levels against business objectives, defining realistic and quantifiable service level objectives and tracking performance in real time. The new service level management software will facilitate the measurement of performance of our internal servicing teams. In addition, the reports generated by the service level management software will allow the management to review the performance at all levels and adjust services level agreements measuring factors to reflect higher quality standards to drive continuous improvement in service quality. Furthermore, the information collected from the software will serve as a health monitoring service level management system of the service process infrastructure by enabling the management to review trends and adapt accordingly, thereby improving the probability of success when introducing new services.