



CTEH INC.
加達控股有限公司

Incorporated in Ontario, Canada and continued in
the Cayman Islands with limited liability

Stock Code : 1620

SHARE OFFER

Sole Sponsor



**Sole Global Coordinator
and Joint Bookrunner**



**Joint Bookrunner
and Joint Lead Manager**



Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.



CTEH INC. 加達控股有限公司

(incorporated in Ontario, Canada and continued in the Cayman Islands with limited liability)

SHARE OFFER

| | |
|---|---|
| Number of Offer Shares | : 300,000,000 Shares (subject to the Over-allotment Option) |
| Number of Hong Kong Offer Shares | : 30,000,000 Shares (subject to reallocation) |
| Number of International Offer Shares | : 270,000,000 Shares (subject to reallocation and the Over-allotment Option) |
| Offer Price (subject to a Downward Offer Price Adjustment) | : not more than HK\$0.425 per Offer Share and is expected to be not less than HK\$0.335 per Offer Share, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027% (payable in full on application and subject to refund) <i>(If the Offer Price is set at approximately 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$0.302 per Hong Kong Offer Share)</i> |
| Nominal Value | : HK\$0.0001 per Share |
| Stock Code | : 1620 |

Sole Sponsor



Sole Global Coordinator and Joint Bookrunner



Joint Bookrunner and Joint Lead Manager



Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in Appendix V "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance of Hong Kong (Chapter 32 of the Laws of Hong Kong), The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, June 21, 2018 and, in any event, not later than Tuesday, June 26, 2018. The Offer Price will be not more than HK\$0.425 and is currently expected to be not less than HK\$0.335. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum offer price of HK\$0.425 for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$0.425.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Tuesday, June 26, 2018, the Share Offer will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in our Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements, Commissions and Expenses — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, or for the account or benefit of U.S. persons, except that Offer Shares may be offered, sold or delivered to outside the United States in accordance with Regulation S.

The Offer Shares are not qualified for distribution by a prospectus filed in Ontario or any other province of Canada. The Offer Shares may not be offered, sold or resold, directly or indirectly, in Canada or to a person in Canada or a resident of Canada in connection with the Share Offer, except in compliance with, or pursuant to exemptions from, the prospectus and dealer registration requirements under applicable Canadian securities laws. The Offer Shares are not qualified for resale in Canada and may not be resold in Canada, directly or indirectly, except pursuant to exemptions from the prospectus requirements of applicable securities laws.

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, our Company will issue a separate announcement to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange (www.hkexnews.hk) and of our Company (www.toureast.com).

| | Date |
|--|--|
| Application lists open ⁽²⁾⁽³⁾ | 11:45 a.m. on Thursday, June 21, 2018 |
| Latest time for lodging WHITE and YELLOW Application Forms ⁽⁴⁾ | 12:00 noon on Thursday, June 21, 2018 |
| Latest time to give electronic application instructions to HKSCC ⁽⁴⁾ | 12:00 noon on Thursday, June 21, 2018 |
| Application lists close ⁽²⁾ | 12:00 noon on Thursday, June 21, 2018 |
| Expected Price Determination Date | Thursday, June 21, 2018 |
| Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed “Structure of the Share Offer — Determining the Offer Price” on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.toureast.com on or before | Tuesday, June 26, 2018 |
| (1) Announcement of the final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on or before | Wednesday, June 27, 2018 |
| (2) Results of allocations (with successful applicants’ identification document numbers or Hong Kong business registration number) of Hong Kong Public Offering will be available through a variety of channels as described in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus | Wednesday, June 27, 2018 |
| A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk ⁽⁵⁾ and our Company’s website at www.toureast.com ⁽⁶⁾ from | Wednesday, June 27, 2018 |
| Results of allocations of the Hong Kong Public Offering will be available at www.ewhiteform.com.hk/results with a “search by ID” function | Wednesday, June 27, 2018 |
| Despatch/collection of refund checks in respect of wholly successful (if applicable) and wholly and partially unsuccessful applications under the Hong Kong Public Offering on ⁽⁷⁾⁽⁸⁾ | Wednesday, June 27, 2018 |

EXPECTED TIMETABLE⁽¹⁾

| | <u>Date</u> |
|--|--------------------------|
| Despatch/collection of Share certificates of the Offer Shares or deposit of Share certificates of Offer Shares into CCASS in respect of wholly or partially successfully applications under the Hong Kong Public Offering on ⁽⁴⁾⁽⁸⁾ | Wednesday, June 27, 2018 |
| Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on | Thursday, June 28, 2018 |

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Thursday, June 21, 2018, the application lists will not open on that day. For further details, please refer to the section headed “How to Apply for Hong Kong Offer Shares — 9. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Thursday, June 21, 2018, the dates mentioned in this section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for Hong Kong Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (4) Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Thursday, June 28, 2018 provided that (i) the Share Offer has become unconditional in all respects and (ii) neither of the Underwriting Agreements have been terminated in accordance with its terms.
- (5) The announcement will be available for viewing on “Main Board — Results of Allotment” page on the Stock Exchange’s website at www.hkexnews.hk.
- (6) Neither our Company’s website nor any of the information contained on our Company’s website forms part of this prospectus.
- (7) Refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund check. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund checks.
- (8) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect any refund checks and share certificates in person from our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong between 9:00 a.m. to 1:00 p.m. on Wednesday, June 27, 2018. Applicants being individuals who opt for personal collection may not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) authorization documents acceptable to our Hong Kong Share Registrar. Applicants who have

EXPECTED TIMETABLE⁽¹⁾

applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all required information may collect their refund checks, if any, in person but may not elect to collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock accounts as stated in their Application Forms. The procedures for collection of refund checks for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Hong Kong Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for details. Uncollected share certificates and/or refund checks will be despatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications.

Particulars of the structure of the Share Offer, including the conditions thereto, are set out in the section headed "Structure of the Share Offer" in this prospectus.

CONTENTS

This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information not given or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents, advisors, affiliates or representatives, or any other person or party involved in the Share Offer.

| | <i>Page</i> |
|--|-------------|
| Expected Timetable | i |
| Contents | iv |
| Summary | 1 |
| Definitions | 14 |
| Glossary of Technical Terms | 25 |
| Forward-Looking Statements | 27 |
| Risk Factors | 29 |
| Waiver from Strict Compliance with the Listing Rules | 49 |
| Information about this Prospectus and the Share Offer | 51 |
| Directors and Parties Involved in the Share Offer | 56 |
| Corporate Information | 61 |
| Industry Overview | 63 |
| Regulatory Overview | 77 |

CONTENTS

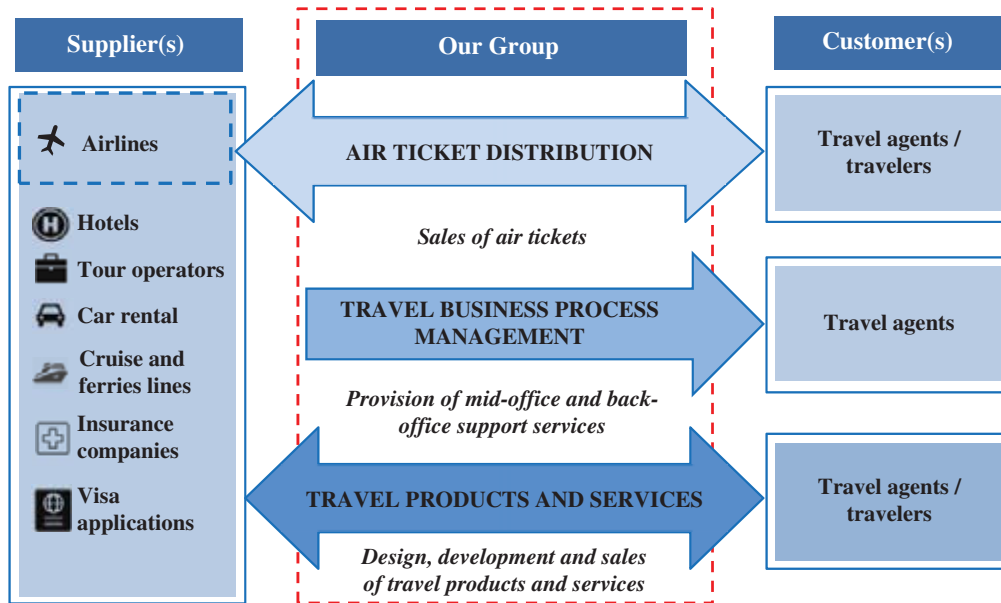
| | <i>Page</i> |
|---|-------------|
| History, Reorganization and Corporate Structure | 89 |
| Business | 101 |
| Relationship with Our Controlling Shareholders | 154 |
| Connected Transactions | 159 |
| Directors, Senior Management and Employees | 162 |
| Substantial Shareholders | 171 |
| Cornerstone Investors | 173 |
| Share Capital | 178 |
| Financial Information | 181 |
| Future Plans and Use of Proceeds | 235 |
| Underwriting | 245 |
| Certain Canadian Legal and Regulatory Considerations in Relation to the Share Offer | 257 |
| Structure of the Share Offer | 265 |
| How to Apply for Hong Kong Offer Shares | 275 |
| Appendix I — Accountant’s Report | I-1 |
| Appendix II — Unaudited Pro Forma Financial Information | II-1 |
| Appendix III — Summary of the Constitution of Our Company and the Cayman Islands Companies Law | III-1 |
| Appendix IV — Statutory and General Information | IV-1 |
| Appendix V — Documents Delivered to the Registrar of Companies and Available for Inspection | V-1 |

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this section are defined or explained in the sections headed “Definitions” and “Glossary of Technical Terms” in this prospectus.

OVERVIEW

Founded in 1976 and with more than 40 years of operating history, we are a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada. 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 service revenue in 2017. Our business model is illustrated in the diagram below:



SUMMARY

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 |

OUR PRODUCTS AND SERVICES

Air Ticket Distribution

We operate as an air ticket consolidator to distribute air tickets on behalf of contracted airlines. We negotiate and enter into agreements with airlines to sell private fares to mainly travel agents. Air ticket consolidators like us is a reliable distribution channel where airlines can negotiate annual contract to sell private fares, establish revenue targets and tightly control air ticket sales through a specific kind of booking class, and a valuable supplier partner for travel agents. As one of the IATA accredited travel agents in Canada and one of the ARC accredited travel agents in the United States, we are qualified to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. As of the Latest Practicable Date, we had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China. Our sales performance has been consistently strong throughout the Track Record Period. For the years ended December 31, 2015, 2016 and 2017, we sold approximately 606,000, 861,000 and 949,000 air tickets, respectively, which amounted to approximately HK\$3,095.1 million, HK\$3,755.0 million and HK\$4,018.9 million in terms of gross sales proceeds, respectively. Please refer to the section headed “Business — Products and Services - (i) Air ticket distribution” in this prospectus for more details.

Travel Business Process Management

We provide travel business process management mainly to travel agents in North America. We offer a single point of contact for a range of travel business process management include air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance and other administrative matters. The service scope and service level varies for each customer depending on the requirements and business needs of the particular customer. Travel business process management providers like us play a pivotal role in providing travel agents the options to outsource their non-core business processes cost effectively and allow travel agents to focus on their core competencies. As of the Latest Practicable Date, we had been providing travel business process management to 10 travel agents which include some of the well-known global brands. Please refer to the section headed “Business — Products and Services - (ii) Travel business process management” in this prospectus for more details.

SUMMARY

Travel Products and Services

We offer package tours and other travel products and services to travel agents and travelers. Our package tours can be further classified as group travel tours and join-in coach tours, normally comprising pre-arranged flights or coach bus, hotel accommodations, local transportations and arrangements for sight-seeing and other activities. Other travel products and services mainly include customized tours, flight plus hotel packages, hotel accommodations booking, admission tickets to attractions, car rental, travel insurance and visa application. As of the Latest Practicable Date, we had developed a comprehensive range of package tours in English, French or Chinese, to more than 200 cities in over 40 countries in Asia, Europe, Middle East, North America and South America. Please refer to the section headed “Business — Products and Services - (iii) Travel products and services” in this prospectus for more details.

SALES

Sales Channels

We primarily distribute air tickets to travel agents through booking platforms which we developed in-house or through calls received by our head office and regional offices, and to travelers through our retail branches. We sell our travel products and services to travel agents through our head office and regional offices, and to travelers through our retail branches and website. Our head office in Toronto, Canada, serves as our headquarters to oversee the overall business operations, handles administrative matters, as well as conducts air ticket distribution and sells travel products and services to travel agents. We have established regional offices in Montreal, Calgary, Vancouver and New York to conduct air ticket distribution to travel agents. As of the Latest Practicable Date, we also operated five retail branches in prime shopping malls in the Greater Toronto Area. Our website at www.toureast.com also provide our customers with the convenience of viewing our travel product and service offerings, making online inquiries and booking join-in coach tours. Please refer to the section headed “Business — Sales — Sales channels” in this prospectus for more details.

Pricing

We determine the price of air tickets generally on a cost-plus basis, taking into consideration, among other things, the market comparables, business scale of each customer, transaction volume, incentive commission offered by certain airlines upon selling of air tickets which is directly deducted from the cost of air tickets, our sales performance and relationship with the particular customer. The price for our travel products and services is determined on a cost-plus basis, mainly taking into consideration of the cost of travel elements such as flight or coach bus, hotel accommodation, local transportation and sight-seeing, the price of similar products and services offered by our competitors and market demand. Our service fee charged for travel business process management is calculated based on variables such as the number of hours that our service delivery team incurred in the course of provision of travel business process management, the number of phone inquiries handled or the number of air tickets issued, plus a fixed monthly management fee which is determined on the basis of workload on required accounting and reporting services. Please refer to the section headed “Business — Sales — Pricing, payment and refund” in this prospectus for more details.

SUMMARY

CUSTOMERS

We have a large and diversified customer base consisting of over 850 travel agents in Canada and the United States and travelers. For each of the years ended December 31, 2015, 2016 and 2017, gross sales proceeds generated from our five largest customers amounted to approximately HK\$1,778.3 million, HK\$2,660.2 million and HK\$2,634.1 million, respectively, representing approximately 54.9%, 68.0% and 63.2% of our total gross sales proceeds, respectively. We have maintained business relationships with our five largest customers for a period ranging from one to 15 years.

We depend on our largest customer, Customer A, an online travel agent which operates several websites that offer a broad range of travel products to a large population of travelers, to generate a significant portion of our revenue. We supply air tickets and provide travel business process management to Customer A. For each of the years ended December 31, 2015, 2016 and 2017, gross sales proceeds generated from Customer A was approximately HK\$1,365.2 million, HK\$1,613.0 million and HK\$1,808.2 million, respectively, representing approximately 42.2%, 41.3% and 43.4% of our total gross sales proceeds, respectively, among which gross sales proceeds of air tickets to Customer A in our air ticket distribution segment accounted for approximately 43.4%, 42.4% and 44.4% of our total gross sales proceeds of air tickets; and service revenue generated from Customer A accounted for approximately 96.9%, 82.9% and 84.7% of our total revenue for travel business process management segment, respectively. Please refer to the section headed “Business — Customers” in this prospectus for more details.

SUPPLIERS

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

COMPETITIVE STRENGTHS

We believe the following strengths differentiate us from other industry participants and have enabled us to compete effectively in our industry:

- Our synergistic business segments address a variety of evolving needs of travel providers, travel agents and travelers.
- We have well-established business relationships with travel providers and travel agents.
- Our in-depth technical know-how and information technology capabilities served as a backbone for future growth.

SUMMARY

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

BUSINESS STRATEGIES

Our principal business objective is to strengthen our position as an well-established air ticket consolidator, travel business process management provider and travel products and services provider in North America and create long-term shareholder value. To achieve this objective, we have implemented the following business strategies:

- Increase our market share in the respective business segments by expanding our customer base.
- Upgrade our information technology system and continue to focus on operational efficiency.
- Enhance our brand recognition and awareness.

RISK FACTORS

There are certain risks involved in our business operations and in connection with the Share Offer, many of which are beyond our control. Any of the factors set out in the section headed “Risk Factors” in this prospectus may limit our ability to execute our business strategies and implementation plans successfully. The risks faced by us can be categorized into (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in Canada; (iv) risks relating to our operations outside of Canada; and (v) risks relating to the Share Offer. Some of the major risks that could materially and adversely affect our business and results of operations are as follows:

- Our revenue is subject to the fluctuation of the global travel and tourism industry and factors that negatively impact that industry, particularly the airline industry, could have a material adverse effect on our business prospects, financial condition and results of operations.
- Failure to maintain our relationships and renew agreements with major airlines may materially and adversely affect our business prospects, financial condition and results of operations.
- We recorded a decrease in the incentive commission received from airlines suppliers in the year ended December 31, 2017 as compared to that in the year ended December 31, 2016.
- We rely on several major customers. If we do not effectively manage our relationships with these customers, our business prospects, financial condition and results of operation may be materially and adversely affected.
- Our major customers for air ticket distribution business may purchase directly from airlines, which may materially and adversely affect our business prospects and results of operations.

SUMMARY

- We rely on a limited number of suppliers to provide certain travel products and services for our business operations. Any failure to maintain relationships or renew agreements with these parties or any breach of such agreements by them may materially and adversely affect our business prospects and results of operations.
- We are subject to obtaining or renewal of certain certificates, licenses, permits and accreditations.
- Our success is subject to our ability to maintain our reputation.

You should read the entire section headed “Risk Factors” in this prospectus carefully before deciding to invest in the Offer Shares.

COMPETITIVE LANDSCAPE

We face competition from other travel agents in various aspects, including price, diversity and quality of products and services, reputation and industry expertise. According to the CIC Report, Canada’s air ticket consolidation market is concentrated with the top three companies accounting for approximately 82.8% of the market share in terms of sales volume in 2017, of which we had a market share of 31.3% in 2017. Canada’s travel business process management market is fairly concentrated with the top three companies accounting for approximately 33.3% of the market share in terms of service revenue in 2017, of which we had a market share of 14.9% in 2017. Please refer to the sections headed “Industry Overview” and “Business — Market and competition” in this prospectus for more details.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth a summary of our consolidated financial information. We have derived the summary from our consolidated financial information set out in the Accountant’s Report in Appendix I to this prospectus. The summary consolidated financial information should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in the section headed “Financial Information” in this prospectus. Our financial information was prepared in accordance with IFRSs.

SUMMARY

Key consolidated statements of comprehensive income information

| | For the year ended | | |
|---|--------------------|------------|------------|
| | December 31, | | |
| | 2015 | 2016 | 2017 |
| | (HK\$'000) | (HK\$'000) | (HK\$'000) |
| Revenue | 136,196 | 153,164 | 153,862 |
| Gross profit | 80,618 | 99,139 | 98,148 |
| Profit before income tax | 34,360 | 48,062 | 17,897 |
| Total comprehensive income for the year attributable to owners of our Company | 34,032 | 33,376 | 11,604 |
| Profit for the year | 25,489 | 34,998 | 12,365 |
| 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 1) | 25,489 | 34,998 | 26,750 |

Note:

(1) Adjusted profit for the year is derived by excluding (i) Listing expenses; and (ii) deferred income tax impact from the deductible Listing expenses recognized in income tax expenses. Please refer to section headed "Financial Information — Description of Certain Consolidated Statements of Comprehensive Income Items — Non-IFRS measures" in this prospectus for details.

Our revenue increased from the year ended December 31, 2015 to the year ended December 31, 2016, primarily due to the increased revenue (i) from the air ticket distribution segment, driven by the increase in margin income and incentive commission received from airline suppliers; and (ii) from travel business process management segment. Our revenue remained relatively stable at approximately HK\$153.2 million and HK\$153.9 million for the years ended December 31, 2016 and 2017, which was a result of the increase in revenue from travel business process management segment, offset by the decrease in revenue from air ticket distribution segment and travel products and services segment in 2017. Our gross profit, profit before income tax and profit for the year continued to increase from the year ended December 31, 2015 to the year ended December 31, 2016, which was in line with our revenue growth. Our gross profit slightly decreased by approximately HK\$1.0 million from the year ended December 31, 2016 to the year ended December 31, 2017, primarily due to the decrease in gross profit from air ticket distribution segment, mitigated by the increase in gross profit from travel business process management segment. Our gross profit margin had been fluctuating during the Track Record Period from approximately 59.2% for the year ended December 31, 2015 to approximately 64.7% and 63.8% for the years ended December 31, 2016 and 2017, mainly due to the fluctuation in gross profit generated from air ticket distribution segment as a result of fluctuation in the amount of incentive commission received from airline suppliers, which was mitigated by the continuous increase in our gross profit margin of travel business process management segment during the Track Record Period mainly resulting from the increase in number of travel business process management customers and the transaction volume. Our profit before income tax and our net profit

SUMMARY

for the year decreased significantly from the year ended December 31, 2016 to the year ended December 31, 2017, mainly due to the increase in the Listing expenses of approximately HK\$19.6 million. Please refer to the section headed “Financial Information — Description of Certain Consolidated Statements of Comprehensive Income Items” in this prospectus for further details.

Analysis by location of customers

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

| | For the year ended December 31, | | | | | |
|---------------|---------------------------------|--------------|------------------|--------------|------------------|--------------|
| | 2015 | | 2016 | | 2017 | |
| | HK\$'000 | % | HK\$'000 | % | 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.

The following table sets forth a breakdown of revenue of our travel business process management segment by location of customers for the period indicated:

| | For the year ended December 31, | | | | | |
|---------------|---------------------------------|--------------|---------------|--------------|---------------|--------------|
| | 2015 | | 2016 | | 2017 | |
| | HK\$'000 | % | HK\$'000 | % | HK\$'000 | % |
| United States | 21,144 | 99.8 | 23,635 | 98.6 | 26,892 | 93.2 |
| Canada | 39 | 0.2 | 333 | 1.4 | 1,957 | 6.8 |
| Total | 21,183 | 100.0 | 23,968 | 100.0 | 28,849 | 100.0 |

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

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 |

SUMMARY

Key consolidated statements of financial position information

| | <u>As of December 31,</u> | | |
|---|---------------------------|-------------------|-------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| Non-current assets | 3,499 | 5,811 | 15,831 |
| Current assets | 83,181 | 159,208 | 181,528 |
| Current liabilities | 121,821 | 137,165 | 132,069 |
| Net current (liabilities)/assets | (38,640) | 22,043 | 49,459 |
| Net current assets (excluding redeemable preference shares) | 23,457 | 72,978 | 49,459 |
| Non-current liabilities | 62 | 29,681 | 593 |
| Total (deficit)/equity | (35,203) | (1,827) | 64,697 |
| Total equity (excluding redeemable preference shares) | 26,894 | 49,108 | 64,697 |

As of December 31, 2015, we recorded net current liabilities of approximately HK\$38.6 million. Such net current liabilities were primarily due to our redeemable preference shares, which were fully exchanged to common shares subsequently. Our net current liabilities of approximately HK\$38.6 million as of December 31, 2015 was turnaround to net current assets of approximately HK\$22.0 million as of December 31, 2016, given we received cash and cash equivalents from the proceeds of loans from Shareholders, which was classified under non-current liabilities. Subsequently, we repaid the loans from Shareholders and we drawdown bank borrowings, which was classified as current liabilities. For details, please refer to the section headed “Financial Information — Net Current (Liabilities)/Assets” in this prospectus.

Our total deficit decreased from approximately HK\$35.2 million as of December 31, 2015 and further to approximately HK\$1.8 million as of December 31, 2016 and was turnaround to total equity of approximately HK\$64.7 million as of December 31, 2017, primarily due to the increased retained earnings as a result of the increase in profit during the Track Record Period.

Selected cash flow items

| | <u>Year ended December 31,</u> | | |
|--|--------------------------------|-------------------|-------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| Operating cash flows before changes in working capital | 34,606 | 49,365 | 21,168 |
| Net cash generate from operating activities | 26,344 | 49,402 | 951 |
| Net cash 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) |

SUMMARY

Key Financial Ratios

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

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

Note: 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%.

We had a negative other reserve due to the redeemable preference shares which outweighed share capital and other reserves as of December 31, 2015 and 2016 and resulted in a total deficit as of December 31, 2015 and 2016. Accordingly, the gearing ratio was not applicable as of December 31, 2015 and 2016. We recorded total equity of approximately HK\$64.8 million as of December 31, 2017 as a result of profit for the period and had borrowing of approximately HK\$37.2 million and thus recorded gearing ratio of approximately 57.6%. Please refer to section headed “Financial Information — Summary of Key Financial Ratios” in this prospectus for further details of our key financial ratios.

SHAREHOLDERS’ INFORMATION

Immediately following the completion of the Share Offer (taking into no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Over-allotment Option and the Share Option Scheme), BVRTH, a company wholly-owned by RT Group, which in turn is controlled by Mrs. Tsang, will be entitled to exercise or control the exercise of approximately 45.0% of the entire issued capital of our Company. Mrs. Tsang, RT Group, and BVRTH comprise a group of Controlling Shareholders. Please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus for further details. Our Group has entered into and is expected to continue after Listing certain transactions with certain associates of our Controlling Shareholders. Please refer to the section headed “Connected Transactions” in this prospectus for further details of these continuing connected transactions.

REASONS FOR LISTING

Our Directors believe that the Listing would (i) strengthen our capital base and provide us with the financial capability to implement our business strategies; (ii) provide us with direct access

SUMMARY

to the capital market for future fund raising exercise; (iii) enhance our corporate profile, information transparency and corporate governance practices; (iv) provide us with indirect complimentary advertising to raise our Group's brand awareness and publicity on an international level and (v) broaden our shareholder base and enhance the liquidity of our Shares.

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 has no nexus to Hong Kong, our Directors believe that listing in Hong Kong will provide 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.

FUTURE PLANS AND USE OF PROCEEDS

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

- approximately 43.2%, representing approximately HK\$24.1 million, will be used for repayment of our bank borrowings after Listing;
- approximately 27.0%, representing approximately HK\$15.1 million, will be used for business expansion of air ticket distribution including (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 platform; (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;
- approximately 13.5%, representing approximately HK\$7.5 million, will be used for (i) upgrading our information technology infrastructure, including data storage, electronic documentation, cloud backup storage, information communication technology network, computer systems and information security; 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 business, including purchasing softwares for service level management and expansion of business development team; and

SUMMARY

- approximately 2.4%, representing approximately HK\$1.3 million, will be used for advertising and promotion of our brand and products.

Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for more details of our use of proceeds and the implementation plans of our business strategies, as well as the reasons for the Listing and the Share Offer.

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 statement 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.

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.

SHARE OFFER STATISTICS

| | Based on an Offer Price of | | |
|--|---|---------------------------|---------------------------|
| | HK\$0.302 per Offer Share, after Downward Offer Price Adjustment of approximately 10% | HK\$0.335 per Offer Share | HK\$0.425 per Offer Share |
| Market capitalization | HK\$362.4 million | HK\$402.0 million | HK\$510.0 million |
| Unaudited pro forma adjusted net tangible assets per Share ^(Note) | HK\$0.10 | HK\$0.10 | HK\$0.12 |

Note: Please refer to the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details regarding the assumptions and calculation basis.

DIVIDEND

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. 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

SUMMARY

declared and paid in the future. 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.

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

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Based on the unaudited financial information of our Group after the Track Record Period, our revenue for the four months ended April 30, 2018 was slightly higher than our revenue for the corresponding period in 2017 mainly due to higher revenue generated from air ticket distribution segment and travel products and services segment, mitigated by the lower revenue from travel business process management segment because we ceased the provision of travel business process management to Customer F during the year ended December 31, 2017. Our cost of sales for the four months ended April 30, 2018 was higher than our cost of sales for the corresponding period in 2017 which was in line with our revenue growth. Accordingly, our gross profit for the four months ended April 30, 2018 was slightly higher than our gross profit for the corresponding period in 2017. We recorded a decrease in our unaudited net profit for the four months ended April 30, 2018 as compared to the corresponding period in 2017, which was mainly affected by our Listing expenses.

Our Directors confirm that save for the above and expenses in connection with the Listing, which are non-recurring in nature, subsequent to the Track Record Period and up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the meanings set out below. Certain other terms are explained in the section headed “Glossary of Technical Terms” in this prospectus.

| | |
|---|---|
| “1134351 B.C.” | 1134351 B.C. Unlimited Liability Company, an unlimited liability company incorporated under the laws of the province of British Columbia, Canada on September 18, 2017, and is our indirect wholly-owned subsidiary |
| “Accountant’s Report” | the accountant’s report of our Company issued by PricewaterhouseCoopers as set out in Appendix I to this prospectus |
| “Alberta” | the province of Alberta, Canada |
| “Application Form(s)” | WHITE and YELLOW application form(s), or where the context so requires, any of them that are used in connection with the Hong Kong Public Offering |
| “Articles of Association” or “Articles” | the articles of association of our Company conditionally adopted on June 1, 2018 which shall become effective upon commencement of trading of our Shares on the Stock Exchange and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in the section headed “Summary of the Constitution of Our Company and the Cayman Islands Companies Law” in Appendix III to this prospectus |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “AT Holdings” | AT Horizons Holdings Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada on August 31, 2011 |
| “BCPC” | Consumer Protection BC |
| “Board” | our board of Directors |
| “British Columbia” or “BC” | the province of British Columbia, Canada |
| “Business Day(s)” or “business day(s)” | any day(s) (other than a Saturday, Sunday or public holiday in Hong Kong and any day on which tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks in Hong Kong are open generally for normal banking business |

DEFINITIONS

| | |
|--------------------------------|---|
| “BVATH” | BVATH Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada on August 1, 2017 and continued in the BVI on October 23, 2017. It is wholly-owned by AT Holdings |
| “BVDCH” | BVDCH Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada on August 1, 2017, and continued in the BVI on October 23, 2017. It is wholly-owned by DC Holdings |
| “BVI” | the British Virgin Islands |
| “BVRTH” | BVRTH Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada on August 1, 2017, and continued in the BVI on October 23, 2017. It is wholly-owned by RT Group and is one of our Controlling Shareholders |
| “BVTEHC” | BVTEHC Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada on August 1, 2017, and is our indirect wholly-owned subsidiary |
| “BVTEHU” | BVTEHU Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada on August 1, 2017, and continued in the BVI on October 23, 2017. It is our direct wholly-owned subsidiary |
| “CAGR” | compound annual growth rate |
| “Canada” | Canada, its territories, its possessions and all areas subject to its jurisdiction |
| “Canadian Dollars” or “CAD” | Canadian dollars, the lawful currency of Canada |
| “Canadian legal advisors” | McMillan LLP, a Canadian law firm and the legal counsel to our Company as to matters of Canadian law for the Listing |
| “Cayman Islands Companies Law” | the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands |
| “CCASS Clearing Participant” | a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant |
| “CCASS Custodian Participant” | a person admitted to participate in CCASS as a custodian participant |

DEFINITIONS

| | |
|--------------------------------|--|
| “CCASS Investor Participant” | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| “CCASS Operational Procedures” | the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force |
| “CCASS Participant” | a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant |
| “CCASS” | the Central Clearing and Settlement System established and operated by HKSCC |
| “CCC Family Trust” | a discretionary trust established on May 10, 1994 by Ms. Min Tsu (as the settlor) and Mrs. Tsang (as the trustee), for the benefit of Mrs. Tsang, Ms. Claudia Tsang and Ms. Camille Tsang. It has been terminated on September 1, 2011 |
| “China” or the “PRC” | the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, excludes Hong Kong, Taiwan and Macau |
| “CIC” | China Insights Industry Consultancy Limited, an industry research consultant |
| “CIC Report” | the report commissioned by us and compiled by CIC on the air ticketing, travel business process management and travel products and services markets in Canada and the United States |
| “Class A preference shares” | the Class “A” preference non-voting shares in the capital of Tour East Canada (as so designated pursuant to the articles of amendment dated September 1, 2011) |
| “Class A special shares” | the Class “A” special non-voting shares in the capital of Tour East Canada (as so designated pursuant to the articles of amendment dated September 1, 1999) |
| “Class B special shares” | the Class “B” special non-voting shares in the capital of Tour East Canada (as so designated pursuant to the articles of amendment dated September 1, 1999) |
| “Class C special shares” | the Class “C” special non-voting shares in the capital of Tour East Canada (as so designated pursuant to the articles of amendment dated September 1, 1999) |

DEFINITIONS

| | |
|---|---|
| “Class X preference shares” | the Class “X” preference non-voting shares in the capital of RT Group (as so designated pursuant to the articles of amendment dated September 27, 2017) |
| “close associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Companies (Winding Up and Miscellaneous Provisions) Ordinance” | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Companies Ordinance” | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which took effect from March 3, 2014, as amended, supplemented or otherwise modified from time to time |
| “Company” or “our Company” | CTEH INC. (加達控股有限公司), a company incorporated in the province of Ontario, Canada on August 18, 2017 and registered by way of continuation in the Cayman Islands as an exempted company with limited liability on October 20, 2017 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules and, in the context of our Company, refers to Mrs. Tsang, RT Group and BVRTH |
| “core connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “CRA” | the Canada Revenue Agency, a federal agency of the Government of Canada that administers tax laws |
| “DC Holdings” | Dennis Chu Holdings Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada on August 31, 2011 |
| “Deed of Indemnity” | the deed of indemnity dated June 4, 2018 entered into by our Controlling Shareholders in favor of our Company (for itself and on behalf of its subsidiaries), pursuant to which our Controlling Shareholders agree to provide us with certain indemnities, particulars of which are set out in the section headed “D. Other information — 2. Tax and other indemnities” in Appendix IV to this prospectus |
| “Deed of Non-competition” | the deed of non-competition dated June 4, 2018 entered into by our Controlling Shareholders in favor of our Company (for itself and on behalf of its subsidiaries), particulars of |

DEFINITIONS

| | |
|--|---|
| | which are set out in the section headed “Relationship with our Controlling Shareholders — Non-competition Undertakings” in this prospectus |
| “Director(s)” | our director(s) of our Company |
| “Downward Offer Price Adjustment” | an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range |
| “Dr. Chu” | Dr. Kwok Chun Dennis Chu, a non-executive Director of our Company and a brother of Mrs. Tsang and Ms. Tsu |
| “electronic application instruction(s)” | instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares |
| “GDP” | gross domestic product |
| “GEM” | GEM of the Stock Exchange |
| “Group” or “our Group” | our Company and our subsidiaries, or where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were our subsidiaries at that time |
| “HK\$” or “Hong Kong dollars” or “HK dollars” or “cents” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |
| “HKSCC Nominees” | Hong Kong Securities Clearing Company Nominees Limited, a wholly-owned subsidiary of HKSCC |
| “HKSCC” | Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Offer Shares” | 30,000,000 Offer Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus |
| “Hong Kong Public Offering” | the offer by our Company for subscription of Offer Shares to the public in Hong Kong (subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus) at the Offer Price (plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock |

DEFINITIONS

| | |
|--|--|
| | Exchange trading fee of 0.005%) and on and subject to the terms and conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Share Offer” in this prospectus |
| “Hong Kong Share Registrar” | Boardroom Share Registrars (HK) Limited, the branch registrar of our Shares in Hong Kong |
| “Hong Kong Underwriters” | the underwriter(s) of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus |
| “Hong Kong Underwriting Agreement” | the underwriting agreement dated June 14, 2018 relating to the Hong Kong Public Offering entered into by, among others, our Company, our Controlling Shareholders and the Hong Kong Underwriters as described in the section headed “Underwriting — Underwriting arrangements, commissions and expenses” in this prospectus |
| “IFRSs” | International Financial Reporting Standards as issued by the International Accounting Standards Board |
| “Independent Third Party(ies)” | any entity(ies) or person(s) which or who is/are not our connected person(s) |
| “International Offer Shares” | the 270,000,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued or sold pursuant to the exercise of the Over-allotment Option, the number of which is further subject to reallocation as described in the section headed “Structure of the Share Offer” in this prospectus |
| “International Offering” | the conditional offering of the International Offer Shares by the International Underwriter(s), as described in the section headed “Structure of the Share Offer” in the prospectus |
| “International Underwriters” | the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement |
| “International Underwriting Agreement” | the underwriting agreement relating to the International Offering and to be entered into by, among others, our Company, our Controlling Shareholders and the International Underwriters on or around the Price Determination Date |

DEFINITIONS

| | |
|---|--|
| “ITA” | the Income Tax Act (Canada), as amended, supplemented or otherwise modified from time to time |
| “Joint Bookrunners” | Lego Securities Limited and Kingsway Financial Services Group Limited |
| “Joint Lead Managers” | Kingsway Financial Services Group Limited, China Galaxy International Securities (Hong Kong) Co., Limited, Pacific Foundation Securities Limited, Future Land Resources Securities Limited and VMS Securities Limited, being the joint lead managers to the Share Offer |
| “Latest Practicable Date” | June 7, 2018, being the latest practicable date for ascertaining certain information in this prospectus |
| “Lego” or “Sole Sponsor” | Lego Corporate Finance Limited, a licensed corporation licensed to carry on type 6 (advising on corporate finance) regulated activity under the SFO |
| “Listing” | the listing of our Shares on the Main Board of the Stock Exchange |
| “Listing Committee” | the listing sub-committee of the board of directors of the Stock Exchange |
| “Listing Date” | the date, currently expected to be on or about Thursday, June 28, 2018, on which dealings in our Shares first commence on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time |
| “Main Board” | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange |
| “Memorandum of Association” or “Memorandum” | the memorandum of association of our Company, conditionally adopted on June 1, 2018 which shall become effective upon commencement of trading of our Shares on the Stock Exchange and as supplemented, amended or otherwise modified from time to time, a summary of which is set out in the section headed “Summary of the Constitution of Our Company and the Cayman Islands Companies Law” in Appendix III to this prospectus |
| “Mrs. Tsang” | Mrs. Rita Pik Fong Tsang, the chairperson of our Board, an executive Director of our Company, one of our Controlling Shareholders, and a sister of Ms. Tsu and Dr. Chu |

DEFINITIONS

| | |
|-----------------------------|--|
| “Ms. Tsu” | Ms. Annie Shuk Fong Tsu, the president and chief executive officer of our Group, an executive Director of our Company, and a sister of Mrs. Tsang and Dr. Chu |
| “Non-Resident Shareholder” | a Shareholder that is, for purposes of the ITA and applicable income tax treaty or convention, neither resident nor deemed to be resident in Canada |
| “Offer Price” | the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%), of not more than HK\$0.425 and expected to be not less than HK\$0.335, such price to be agreed upon by us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date, subject to any Downward Offer Price Adjustment |
| “Offer Share(s)” | the Hong Kong Offer Share(s) and the International Offer Share(s) including, where relevant, any additional Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option |
| “Ontario” | the province of Ontario, Canada |
| “OPC” | Office de la Protection du Consommateur |
| “OSC” | the Ontario Securities Commission |
| “Over-allotment Option” | the option expected to be granted by our Company to the International Underwriters and exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) pursuant to which our Company may be required to issue and allot up to an aggregate of 45,000,000 additional Shares (in aggregate representing 15% of the Shares initially being offered under the Share Offer) to cover, over-allocation in the International Offering, details of which are described in the section headed “Structure of the Share Offer” in this prospectus |
| “Price Determination Date” | the date, expected to be on or about Thursday, June 21, 2018 but no later than Tuesday, June 26, 2018, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) for the purposes of the Share Offer |
| “Principal Share Registrar” | Harneys Fiduciary (Cayman) Limited |

DEFINITIONS

| | |
|------------------------------------|--|
| “Québec” | the province of Québec, Canada |
| “Regulation S” | Regulation S under the U.S. Securities Act |
| “Reorganization” | the reorganization of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus |
| “RT Group” | Rita Tsang Group Holdings Inc., a limited liability company incorporated under the laws of province of Ontario, Canada on August 31, 2011, and is one of our Controlling Shareholders |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share Offer” | the Hong Kong Public Offering and the International Offering |
| “Share Option Scheme” | the share option scheme conditionally adopted by our Company on May 7, 2018, the principal terms of which are summarized in the section headed “D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus |
| “Share(s)” | ordinary share(s) in the share capital of our Company with a nominal value of HK\$0.0001 each in the share capital of our Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Sole Global Coordinator” | Lego Securities Limited, a licensed corporation licensed to carry on type 1 (dealing in securities) regulated activities under the SFO, being the sole global coordinator to the Share Offer |
| “Stabilizing Manager” | Lego Securities Limited and Kingsway Financial Services Group Limited |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder(s)” | has the meaning ascribed to it under the Listing Rules |
| “The 1994 Rita Tsang Family Trust” | a discretionary trust established on July 15, 1994 by Ms. Min Tsu (as the settlor) and Mrs. Tsang (as the trustee), for the benefit of Ms. Claudia Tsang and |

DEFINITIONS

| | |
|---|--|
| | <p>Ms. Camille Tsang, the children of Mrs. Tsang. The 1994 Rita Tsang Family Trust has been terminated on September 1, 2011</p> |
| <p>“The 2011 Rita Tsang Family Trust”</p> | <p>a discretionary trust established on August 26, 2011 by Ms. Min Tsu (as the settlor) and Mrs. Tsang, Ms. Claudia Leung and Mr. William Yee (as the trustees), for the benefit of (i) Mrs. Tsang, (ii) Ms. Claudia Tsang, (iii) Ms. Camille Tsang, (iv) grandchildren of Mrs. Tsang who have attained the age of 18 years, and (v) companies that are incorporated after August 26, 2011 that are wholly owned by any one or more of Mrs. Tsang, Ms. Claudia Tsang and Ms. Camille Tsang who have attained the age of 18 years. Both Ms. Claudia Leung and Mr. William Yee are Independent Third Parties</p> |
| <p>“Tour East Canada”</p> | <p>Tour East Holidays (Canada) Inc., a limited liability company incorporated under the laws of the province of Ontario, Canada and was amalgamated on January 1, 1999. It is our indirect wholly-owned subsidiary</p> |
| <p>“Tour East New York”</p> | <p>Tour East Holidays (New York) Inc., a limited liability company incorporated under the law of the state of New York on November 14, 1980 and is our indirect wholly-owned subsidiary</p> |
| <p>“Track Record Period”</p> | <p>the period comprising the three financial years ended December 31, 2017</p> |
| <p>“U.S. dollars” or “US\$” or “USD”</p> | <p>United States dollars, the lawful currency of the United States</p> |
| <p>“U.S. Exchange Act”</p> | <p>the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder</p> |
| <p>“U.S. Securities Act”</p> | <p>the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder</p> |
| <p>“Underwriters”</p> | <p>the Hong Kong Underwriters and the International Underwriters</p> |
| <p>“Underwriting Agreements”</p> | <p>the Hong Kong Underwriting Agreement and the International Underwriting Agreement</p> |
| <p>“United States” or “U.S.”</p> | <p>the United States of America</p> |
| <p>“we”, “us” or “our”</p> | <p>our Company or our Group (as the context may require)</p> |

DEFINITIONS

| | |
|--------------------------------------|---|
| “ WHITE Application Form(s)” | the application form(s) for the Hong Kong Offer Shares for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name(s) |
| “ YELLOW Application Form(s)” | the form(s) of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS |
| “Withdrawal Mechanism” | a mechanism which requires our Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information, e.g. the Offer Price, in this Prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach, i.e. requiring investors to positively confirm their applications for shares despite the change |
| “%” | percentage or per cent. |

Unless expressly stated or the context otherwise requires, all data in this prospectus is as of the Latest Practicable Date.

Unless otherwise specified, all references to any shareholdings in our Company are based on the assumption that the Over-allotment Option is not exercised.

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

Certain amounts and percentage figures comprised in this prospectus have been subject to rounding adjustments. Accordingly, figures presented as totals in certain tables may not be arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary of the technical terms contains terms used in this prospectus in connection with our Company. These meanings given to these terms may differ from meanings given to them by others in the industry.

| | |
|-----------------------------------|---|
| “ARC” | Airlines Reporting Corporation, a company that provides air ticket transaction settlement services between airlines and travel agents that sell their products in the United States |
| “ARC accredited travel agent(s)” | a travel agent which has been admitted by ARC subject to compliance with certain rules which govern the relationship between ARC accredited travel agents and participating airline members |
| “ARC settlement” | a settlement system that enables credit card and service fee processing and provides services like fraud prevention between participating airline members and ARC accredited travel agents |
| “BSP settlement” | a billing and settlement plan system that enables the swift, reliable and efficient movement of funds between participating airline members and IATA accredited travel agents |
| “ethnic travel agent” | a travel agent specialized in serving foreign-born individuals who are part of particular ethnic groups traveling to and from their native country to visit family or friends |
| “ethnic travel” | travel business which originates from a particular ethnicity group |
| “GDS” | Global Distribution System, a computer system that enables automated transactions between travel service providers, mainly airlines, hotels and car rental companies, and travel agents |
| “ground operator(s)” | a handling travel agent providing local services at the tour destination, such as hotel booking, local transportation and other travel related arrangements |
| “IATA” | International Air Transport Association, a global trade organization in the air travel industry |
| “IATA accredited travel agent(s)” | a travel agent which has been admitted by IATA subject to compliance with certain rules which govern the relationship between IATA accredited travel agents and participating airline members |

GLOSSARY OF TECHNICAL TERMS

| | |
|----------------------------------|---|
| “incentive commission” | performance target-based commission given by airlines |
| “IT” | information technology |
| “package tour(s)” | a tour which is organized and hosted by a travel agent, and usually comprises various travel elements including flight, hotel accommodations, arrangement of sight-seeing, other activities and tour guide services at a bundled price |
| “passenger name record” | a record that consists of the personal information and itinerary of a passenger or a group of passengers traveling together |
| “private fare(s)” | airfare that is negotiated between travel agents and airlines and sold through various travel agents. A private fare is generally given to travel agents at a net price, meaning the airfare sold to travelers will include a margin income |
| “published fare(s)” | airfare that is available for purchase by anyone through airlines directly and any travel agent. A published fare is generally the same price whether purchased through travel agents or through airlines directly |
| “tour guide(s)” | a person appointed by travel agents to accompany tour groups throughout the journey of a tour |
| “travel agent(s)” | a company or corporation which carries on the business of obtaining for another person (i) carriage on a journey to take place mainly outside the place of departure; or (ii) accommodation at a place outside the place of departure for which payment is made to that person of an amount on account of the cost of the accommodation |
| “travel management company(ies)” | a company which provides travel services to corporate customers |
| “travel provider(s)” | a provider of travel products such as airfares, car rentals and hotel accommodations |
| “TICO” | the Travel Industry Council of Ontario, an organization mandated by the Ontario government to administer the Travel Industry Act (Ontario) |

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements are contained principally in the sections headed “Summary,” “Risk Factors,” “Industry Overview,” “Business,” “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These forward-looking statements include, without limitation, statements relating to:

- our business prospects and future developments, trends and conditions in the industry and market in which we operate;
- our business strategies and operating strategies and our various measures to implement such strategies;
- our ability to meet the changing needs of our customers;
- our liquidity and financial condition;
- our dividend distribution plans;
- changes in the laws, rules and regulations of the local governments in countries in which we operate;
- the general economic trends and conditions;
- exchange rate fluctuation;
- our relationship with, and other conditions affecting, our suppliers and customers;
- catastrophic losses from natural disasters;
- currency exchange restrictions;
- changes in competitive conditions and our ability to compete under these conditions;
- our ability to recruit and retain employees and personnel;
- the general economic trends, market and business conditions in the countries in which we have operations; and
- other factors beyond our control.

When used in this prospectus, the words “aim”, “anticipate”, “believe”, “consider”, “contemplate”, “continue”, “could”, “estimate”, “expect”, “forecast”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “predict”, “potential”, “project”, “propose”, “schedule”, “seek”, “shall”, “should”, “target”, “will”, “with a view to”, “would” and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect the current views of our management with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors as set out in the section headed “Risk Factors” in this prospectus. Our Directors confirm that these forward-looking statements are made after due and careful consideration.

FORWARD-LOOKING STATEMENTS

Although our Directors believe that our current views as reflected in these forward-looking statements based on currently available information are fair and reasonable, we can give no assurance that these views will prove to be correct. You are cautioned that reliance on any forward-looking statements in this prospectus involves risks and uncertainties. The uncertainties in this regard include, but are not limited to, those identified in the section headed “Risk Factors” in this prospectus, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations by us or our Directors that our plans or objectives will be achieved.

Should one or more of the risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

Subject to the requirements of applicable laws, rules (including the Listing Rules) and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances contained in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or reference to our intentions or that of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

RISK FACTORS

Investing in our Shares involves various risks. Before making an investment in our Shares, you should carefully consider each of the risks described below and all of the other information in this prospectus, including the Accountant's Report contained in Appendix I to this prospectus. If any of the following risks actually arises or occurs, our business, results of operations and financial condition could be adversely affected. In any such case, the trading price of our Shares could decline and you may lose all or part of your investment. You should pay particular attention to the fact that our operations are primarily based in Canada and that most of our assets are governed by Canadian legal and regulatory environment, which in some respects may differ from what might prevail in other countries.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have broadly categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to conducting business in Canada; (iv) risks relating to our operations outside of Canada; and (v) risks relating to the Share Offer.

RISKS RELATING TO OUR BUSINESS

Our revenue is subject to the fluctuation of the global travel and tourism industry and factors that negatively impact that industry, particularly the airline industry, could have a material adverse effect on our business prospects, financial condition and results of operations.

Our revenue is highly susceptible to declines in or disruptions to the global travel and tourism industry that may be caused by factors entirely out of our control, and therefore our growth during the Track Record Period may not recur if these declines or disruptions occur. Various factors may cause temporary or sustained disruption to the global travel and tourism industry. The impact of such disruptions would have on our business depends on the magnitude and duration of such disruption. These factors include, among others:

- inclement weather, natural or man-made disasters or political events like acts or threats of terrorism, hostilities, war and labor disputes or strikes;
- factors that affect demand for travel such as outbreaks of epidemic or contagious diseases, increases in fuel prices, changing attitudes towards the environmental costs of travel and safety concerns;
- factors that affect supply of travel such as changes to regulations governing airlines and the travel and tourism industry, like government sanctions that do or would prohibit doing business with certain state-owned travel providers, work stoppages or labor unrest at any of the major airlines, hotels or airports;
- financial instability of travel providers and the impact of any fundamental corporate changes to such travel providers, such as airline bankruptcies or consolidations, on the cost and availability of travel content; and
- general economic conditions.

RISK FACTORS

As a large portion of our revenue is derived from incentive commission arrangements with airline suppliers, our revenue is particularly sensitive to factors affecting the volume of air travel. For example, the global economic downturn and the recent terrorist attacks affected and may continue to affect travel volume worldwide and had a significant impact on the airline industry. If air travel volumes depressed for a sustained period or decline, as a result of any of the factors described above or otherwise, it could have a material adverse effect on our business, prospects, financial condition and results of operations. 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.

Failure to maintain our relationships and renew agreements with major airline suppliers may materially and adversely affect our business prospects, financial condition and results of operations.

We believe that our ability to obtain a wide selection of private fares from various airline suppliers is critical to our business. For each of the years ended December 31, 2015, 2016 and 2017, gross cost of procurement from our five largest suppliers, all being major airlines, amounted to approximately 68.0%, 64.4% and 62.9% of our total gross cost of procurement for the respective periods. We have entered into sales agreements with various airline suppliers, which offer us different private fare deals. Such agreements typically have no fixed term, unless terminated by either party with the required advance notice. Airline suppliers are not contractually obligated to distribute exclusively through us during the contract term and may terminate their agreements with us upon providing the required advance notice. We cannot guarantee that we will be able to maintain our relationships and/or renew our agreements with airline suppliers in the future on favorable economic terms or at all. Any failure to renew some or all of these agreements on economically favorable terms or at all, or the early termination of these existing contracts, could materially harm our business, results of operations and financial condition.

We recorded a decrease in the incentive commission received from airline suppliers in the year ended December 31, 2017 as compared to that in the year ended December 31, 2016

We receive incentive commission for distributing air tickets on behalf of certain contracted airlines. During the Track Record Period, the majority of our revenue generated from air ticket distribution segment was derived from incentive commission paid by airline suppliers, which amounted to approximately 61.0%, 61.0% and 58.8% of the segment result for the years ended December 31, 2015, 2016 and 2017, respectively. Such 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. Any changes of structure and/or mechanism of incentive commission arrangements will affect our results of operations. For example, we recorded a decrease in the incentive commission received from airline suppliers in the year ended December 31, 2017 as compared to that in the year ended December 31, 2016 mainly due to changes of performance targets and the alteration of structures or mechanisms of incentive commission arrangements of some airline suppliers in 2017. Furthermore, if we fail to meet the periodic minimum performance targets as required by a particular airline supplier, we will not be entitled to any incentive commission from such airline supplier for the relevant period. If we fail to renew the incentive commission arrangements with the respective airline suppliers on favorable economic terms or at all or achieve same or higher tier

RISK FACTORS

incentive commission rate set by the respective airline suppliers, our incentive commissions as well as our financial performance and prospects may be materially and adversely affected. For details of the Sales Agreements that we have entered into with airline suppliers, please refer to the section headed “Business — Suppliers — Travel providers” in this prospectus.

We rely on several major customers. If we do not effectively manage our relationships with these customers, our business prospects, financial condition and results of operations may be materially and adversely affected.

We have derived and believe will continue to derive in the near term a majority of our revenue from our several major customers. For the years ended December 31, 2015, 2016 and 2017, our five largest customers accounted for approximately 54.9%, 68.0% and 63.2% of our total gross sales proceeds 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, our major customers may demand price reduction, change its outsourcing or procuring strategy, move work in-house or reduce previously forecasted demand or purchase volume. 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. We usually are not the exclusive supplier for our customers, there is no assurance that our customers will continue their businesses with us, whether on similar terms to the existing arrangement or at all. Any decision by our major customers to reduce or discontinue their relationships with us could harm our business, results of operations and financial condition.

Moreover, we rely on our largest customer as we generated 42.2%, 41.3% and 43.4% of our total gross sales proceeds from it during the Track Record Period. In addition, for each of years ended December 31, 2015, 2016 and 2017, gross sales proceeds of air tickets to Customer A in our air ticket distribution segment accounted for approximately 43.4%, 42.4% and 44.4% of our total gross sales proceeds of air tickets; and service revenue generated from such customer accounted for approximately 96.9%, 82.9% and 84.7% of our total revenue for travel business process management segment, respectively. As we have been, and are expected to continue to rely on our largest customer for our business and results of operations, any factor adversely affecting our relationship with our largest customer may cause a significant decrease of financial results of our air ticket distribution segment and travel business process management segment, and materially and adversely affect our financial condition and business prospects.

Our major customers for air ticket distribution business may purchase directly from airlines, which may materially and adversely affect our business prospects and results of operations.

We operate as an air ticket consolidator to distribute and issue air tickets on behalf of airlines to travel agents and travelers. However, our major customers for air ticket distribution segment may decide to purchase directly from airlines or airlines may solicit business of these customers directly. To the best knowledge of our Directors, certain of our major customers for air ticket distribution segment have purchased air tickets directly from airlines from time to time. As we are not the exclusive distributor for our airline suppliers, there is no assurance that our customers will continue to purchase the same volume or any air tickets with us at all, the occurrence of which could materially and adversely affect our business prospects and results of operations, especially the segment results of our air ticket distribution business.

RISK FACTORS

We rely on a limited number of suppliers to provide certain travel products and services for our business operations. Any failure to maintain relationships or renew agreements with these parties or any breach of such agreements by them may materially and adversely affect our business prospects and results of operations.

Our business operation is dependent on our ability to maintain effective relationships with our third-party suppliers primarily consisting of airlines, GDS providers and ground operators. Other than airline suppliers and GDS providers, we did not enter into any long-term agreement with our third-party suppliers. We may not be able to renew these agreements at all or on terms that are favorable to us, and third-party suppliers may not fulfill their commitments as set out in the respective agreements in time or at all. If the relevant agreements cannot be renewed or at commercially favorable terms or if our third-party suppliers breach any of the terms thereunder, we may not be able to find an alternative travel provider or source of technology or systems support on commercially reasonable terms or on a timely basis or at all, which could have a material adverse effect on our business, prospects, financial condition and results of operations. For further details of our suppliers, please refer to the section headed “Business — Suppliers” in this prospectus.

We are subject to obtaining or renewal of certain certificates, licenses, permits and accreditations.

We are required to obtain, maintain and renew various certificates, licenses, permits and accreditations from time to time for our business operations, including, without limitation, TICO business registration certificate, IATA accreditation and/or ARC accreditation. In particular, only travel agents accredited by IATA or ARC are qualified to issue air tickets on behalf of their respective member airlines. Some of these certificates, licenses and accreditations are subject to periodic renewal and/or reassessment by the relevant authorities/organizations, compliance of which may incur a substantial amount of time and costs. We cannot guarantee that the conditions or requirements we may be required to satisfy or meet will not change from time to time. Should we fail to renew the certificates, licenses or accreditations required to operate our businesses in a timely manner or at all, we may be subject to fines or penalties and our business may be materially disrupted which could have a material and adverse effect on our financial performance and results of operations.

In addition, our agreements with certain airline suppliers also require us to maintain such certificates, licenses and accreditations, failure of which could result in a significant decrease in our incentive commission from airline suppliers or even early termination of the relevant agreements, which could have a material and adverse effect on our results of operation and business prospects.

Our success is subject to our ability to maintain our reputation.

We believe our success is largely dependent on our ability to maintain our reputation, which is affected by a number of factors, including, but not limited to, levels of customer satisfaction with our products and services, disruptions to our services, adverse publicity, customers’ complaints over products and services of our customers, our suppliers and our Company, misconduct or negligence committed by our employees or ground operators or tour guides and

RISK FACTORS

accidents or injuries during the tours suffered by our customers, some of which are beyond our control. We have historically received a number of complaints, none of which have had a material and adverse effect on our reputation. However, we cannot assure you that we can successfully handle all complaints in the future. If we fail to maintain a positive reputation as a result of these or other factors, our business, results of operations and growth prospects could be adversely affected. In addition, as we continue to grow in size and expand our business, we may require more resources and costs to maintain the quality and consistency of our products and services we offer, failure of which may bring a negative impact on our reputation.

We rely heavily on information technology systems.

We rely on information technology systems to operate efficiently at the expected service level. However, we cannot assure you that there will not be any material disruption or underperformance of our information technology systems. We may experience material disruptions or underperformance of our information technology systems due to a variety of factors, including human errors, network or software failures, inadequate maintenance or upgrading, capacity constraints due to an overwhelming number of users accessing our platforms and services simultaneously, whether such disruptions, outages or other problems are caused by ourselves or by third-party suppliers such as airlines and GDS providers. Our information technology systems are also vulnerable to damage or disruption as a result of computer viruses, cyber attacks, natural disasters, power outages, adverse weather conditions or other factors. Any material disruption or underperformance of our information technology systems could have a material adverse effect on our reputation and business operation, or even lead to contractual penalties and liabilities.

In addition, the industry in which we operate is shaped in general by rapid technological developments. Our competitiveness and future results depend on our ability to maintain and make timely and cost-effective enhancements, upgrades and additions to our existing information technology systems in response to new technological developments, industry standards and trends and customer demands. Adapting to new technological and marketplace developments may require significant commitment of resources, substantial expenditures and lead time, and we cannot guarantee that projected future increases in business volume will actually materialize. We may experience difficulties that could delay or prevent the successful development and implementation of enhancements, upgrades and additions. As a result, our business, results of operations and financial condition might be materially and adversely affected.

Security breaches could expose us to liability and damage our reputation and our business.

We process, store and transmit large amounts of data, including personal information of our customers. It is critical that our information technology systems, including those provided by GDS providers or other third-party suppliers, remain secure and are perceived by the marketplace to be secured. Our information technology systems may be vulnerable to physical break-ins, system or software failure, computer viruses, attacks by hackers or nefarious actors or similar disruptive problems. Any physical or electronic break-in or other security breach or compromise of the information handled by us or our service providers may (i) jeopardize the availability, security or integrity of information in our computer systems and networks or those of our customers; and (ii) cause significant interruptions in our and our customers' operations. Although we have developed systems and processes that are designed to protect customer information and prevent

RISK FACTORS

data loss and other security breaches, such measures cannot provide absolute security. In addition, we may not successfully implement remediation plans to address all potential exposures. It is possible that we may have to expend additional financial and other resources to address such problems. Failure to prevent or mitigate data loss or other security breaches could expose us or our customers to a risk of loss or misuse of such information, cause customers to lose confidence in our data protection measures, damage our reputation, adversely affect our results of operations or result in litigations or potential liability for us.

We rely on GDS providers for our business operations.

We rely on GDS providers to access to airfares and book air tickets. Also, our self-developed booking platform is connected to GDSs through a network interface which allows us to synchronize flight information from GDSs to our booking platforms and issue air tickets. Any material disruption or underperformance of GDSs could seriously disrupt our business, our service levels, our reputation and negatively impact our operating results. If the relevant GDS service agreements are terminated or cannot be renewed, we may not be able to source alternative service providers and/or negotiate beneficial commercial terms with our new service providers. As a result, our business operations and profitability may be adversely affected.

In addition, we receive incentive income from our GDS providers, which amounted to approximately HK\$5.1 million, HK\$3.8 million, and HK\$2.5 million for the years ended December 31, 2015, 2016 and 2017, respectively, representing approximately 6.8%, 4.0% and 2.7% of our revenue from air ticket distribution segment, and approximately 3.7%, 2.5% and 1.6% of our total revenue, respectively. Failure to maintain our relationships and renew agreements with any of our GDS providers may have material and adverse effect on our incentive income even our overall financial performance and prospects.

We rely on third-party travel providers to provide certain travel products and services, and unsatisfactory performance or misconduct of the relevant travel providers may adversely affect our reputation and business.

We generally rely on third-party travel providers, particularly the ground operators, to provide our travel products and services. The service standard of these third-party travel providers will directly affect the quality of our travel products and services that we offer to our customers. We assess and evaluate our potential and existing travel providers based on their quality of services, safety standards, responsiveness and reliability. For details of our quality control measures for our businesses including those related to such third-party travel providers, please refer to the section headed “Business — Quality Control” in this prospectus. Some of our historical complaints from customers related to the underperformance of certain third-party travel providers. As we do not own, manage or have direct control over these travel providers, we cannot ensure that there will not be any non-performance, sub-standard performance or misconduct of such third-party travel providers which may materially and adversely affect the quality of our travel products and services, as well as our reputation.

Our results of operations are likely to continue to fluctuate due to seasonality.

The travel and tourism industry is inherently seasonal. Demand for our products and services will generally increase one to two months prior to holiday periods such as Easter, spring break,

RISK FACTORS

school summer holidays Christmas, New Year and Chinese New Year. During the Track Record Period, we were able to generate higher sales volumes and therefore a higher revenue in the second half of the year, which we believe was attributable to the willingness of travelers to travel overseas during these periods, coinciding with the public holidays and/or school summer holidays. As such, 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 our performance for that financial year.

Our travel products and services could be adversely affected by changes in consumer preference and spending habits and failure to develop successful travel products and services could have a negative effect on our business.

The travel and tourism industry in general is subject to changes in consumer preference and spending habits. Any failure to introduce travel products and services in respond to such changes may result in a decrease in our sales. Also, any change in consumer preference could lower sales of certain type or all of our travel products, impose pricing pressure or lead to increased selling expenses, which may result in a material adverse effect on our business, financial conditions or results of operations.

We expand our destination offerings to enhance the attractiveness of our travel products and services. As of the Latest Practicable Date, we had developed a comprehensive range of package tours to more than 200 cities in over 40 countries in Asia, Europe, North America, Middle East and South America. We will continue to explore new travel ideas including new destinations, new points of attraction and special local events so as to further diversify our range of travel product offerings. The success of our travel product and service offerings depends on a number of factors including (i) our ability to accurately anticipate changes in market demand and consumer preference; and (ii) our ability to differentiate the quality of our travel products and services from those of our competitors. We cannot assure you that we will be successful in identifying trends in consumer preference, developing travel products and services that respond to the changes of trend in a timely manner and promoting our travel products and services effectively. If our travel products and services fail to gain market acceptance, we may not be able to fully recover our costs and expenses incurred in the product development and marketing process, thus our business prospects, financial condition or results of operations may be materially and adversely affected.

We are exposed to credit risks. The settlement of trade receivables as at December 31, 2017 after the Track Record Period was relatively slow.

Our Group's profitability and cash flows are dependent to a large extent on the creditworthiness of our customers and various airline suppliers and their ability to settle the outstanding amount owed to our Group.

Our Group generally offered very short credit terms or even no credit terms to our major customers of our air ticket distribution segment. Our Group is subject to certain level of credit risk given there maybe time lag between the actual payment received from those customers and the actual payment made to major airline suppliers, which our major airline suppliers generally offered our Group credit terms up to 10 days after weekly closing. Also, our Group also offered credit

RISK FACTORS

terms of approximately 30 days after invoice to our major customers of travel business process management segment which caused us expose to credit risk.

To the best knowledge of our Directors, it normally took approximately one to three months for airline suppliers to determine and process the computation of the incentive commission to us after the end of year. As at May 31, 2018, over 81.2% of our trade receivables as of December 31, 2017, which mainly represented the incentive commission receivables from various airline suppliers were subsequently settled.

There is no assurance that the creditworthiness and the financial position of our customers and airline suppliers will remain healthy in the future. If any of our customers or major airline suppliers fails to settle the outstanding amount in full or in a timely manner, our financial condition and results of operations could be materially and adversely affected.

We recorded net liabilities as of December 31, 2015 and 2016 and net current liabilities as of December 31, 2015.

We recorded net liabilities of approximately HK\$35.2 million and HK\$1.8 million as of December 31, 2015 and 2016, respectively, and recorded net current liability of approximately HK\$38.6 million as of December 31, 2015, which were primarily due to our redeemable preference shares. Such redeemable preference shares were fully exchanged to common shares in October 2017. For details, please refer to the section headed “Financial Information — Description of Selected Statement of Financial Position Items — Redeemable preference shares” in this prospectus. Excluding the redeemable preference shares, we would have had net assets of approximately HK\$26.9 million and HK\$49.1 million as of December 31, 2015 and 2016, respectively, and net current assets of approximately HK\$23.5 million as of December 31, 2015. Also, we expect that after such exchange we will maintain a net asset position. However, we cannot assure you that we will not have net liabilities in the future. Having significant net liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred income tax assets, which could have a material adverse effect on our results of operations.

We had deferred income tax assets of HK\$6.8 million as of December 31, 2017. We recognized deferred income tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible expenses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred income tax assets may be reduced to the extent that it is no

RISK FACTORS

longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than our management's estimates when our deferred income tax assets were recognized, our ability to recover such deferred income tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

Our success depends on the continuing efforts of our key management and operating personnel and our business may be harmed if we lose their services.

Our future success depends substantially on the ability of our management and operating personnel to work together and successfully implement our growth strategy while maintaining the strength of our business. Our future success also depends heavily on the continuing services and performance of our key management and operating personnel, in particular, Mrs. Tsang, one of our founders, an executive Director and the chairman of our Group, who has more than 40 years of experience in the travel and tourism industry, and Ms. Tsu, an executive Director and the chief executive officer of our Company, who held various positions within our Group since joining us in 1983. We seek to continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in the quality and reliability of our products and services and meet our planned expansion requirements. As the pool of qualified candidates for our business is limited, we may not be able to retain the service of our key management, operating personnel or other high-quality senior executives or key personnel and to recruit additional qualified employees in light of our expansion plans and business strategies in the future. If one or more of our key management and operating personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how as a result. Any failure to attract, retain and motivate these key personnel may harm our reputations and result in a loss of our business.

Rising employee benefit expenses and the long-term trend of wage increases may lead to declines in our margins and profitability.

Employee benefit expenses which comprise salaries and benefits payable to all our employees and staff, including our Directors and senior management personnel and other employees, has been a major component of our expenses. Over the past decades, we continue to expand and recruit additional employees especially for our travel technology and finance departments in order to keep pace with our business growth and income trending. For each of the years ended December 31, 2015, 2016 and 2017, employee benefit expenses accounted for approximately 49.0%, 50.2% and 41.1% of our total cost of sales, selling and administrative expenses for the respective periods.

As the specialized skills needed by our businesses are difficult and time-consuming to acquire, there is a limited number of qualified personnel. Competition in the travel and tourism industry for experienced and appropriate personnel is intense. As a result, we must provide competitive compensation and benefits packages to attract and retain qualified senior executive, management personnel and other employees, which may significantly increase our operating costs and reduce our margins. We must also provide on-going training to our employees so that they can

RISK FACTORS

stay abreast of travel and tourism industry trends and technological developments necessarily to improve their performances. Any shortages in the availability of labor or any material increases in employee benefit expenses will diminish our competitive advantage and materially and adversely affect our business, results of operations and profitability.

We may be required to provide financial securities to certain airline trade associations and airline suppliers.

Both IATA and ARC require travel agents like us to meet certain qualifications established from time to time for the accreditations, among which, the financial criteria are considered the most important, including working capital and financial ratio requirements. In order to satisfy such requirement, we may be required to provide certain financial security in the form of letter of credit or bond, which may involve significant financial and other resources and expenditures. During the Track Record Period, we had been required to present the letters of guarantee to IATA due to our change in the shareholding structure of Tour East Canada. As a result, we had to place a term deposit, in a significant amount of approximately HK\$41.4 million and HK\$45.0 million as of December 31, 2016 and 2017, respectively, with the bank as a security to issue such letter of guarantee. Please refer to the section headed “Financial Information — Description of Selected Statement of Financial Position Items — Restricted term deposit” in this prospectus for further details. In case of failure to fulfill such requirement or provide the financial security required in a timely manner or at all, we may not continue to be accredited by IATA and/or ARC hence disrupt our business and decrease our revenue, which could materially and adversely affect our financial condition and results of operations.

Furthermore, certain airline suppliers may also require us to provide financial securities including letter of guarantee to secure our performance of obligations under the relevant sales agreement, failure of which may materially and adversely affect our business relationship with such airline suppliers, decrease our revenue, as well as reduce our profitability and prospects.

We may be subject to third-party claims and counter-party risks.

We are exposed to risks of third-party claims for harm or injury suffered or allegedly suffered in relation to our products and services provided to our customers. Liability claims could cause reputational damage and have a material and adverse effect on our business, financial condition and/or results of operations. We are also exposed to counter-party risks and other risks which are beyond our control. Material service failure or suspension of the services of our suppliers may adversely impact our business, financial condition and results of operations.

We derive a substantial portion of our revenue in Canada.

A severe or prolonged downturn in the global and Canadian economy could materially and adversely affect our business and financial condition. We conduct substantially all of our business operations in Canada, and we expect to continue to generate a significant portion of our revenue from business operations in Canada. Accordingly, any economic downturn or recession in Canada could lead to decline in demand for our products or services and our overall business and operating results may be materially and adversely affected. In addition, renewed financial turmoil affecting the financial markets or banking systems may significantly restrict our ability to obtain financing

RISK FACTORS

in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could also materially and adversely affect our business, results of operations and prospects.

We are subject to foreign exchange rate fluctuations which may affect our results of operations and financial position.

Our functional currency is CAD, while our presentation currency is HK\$, appreciation or depreciation in the value of CAD relative to HK\$ would have a positive or negative effect on our consolidated financial information which may not reflect any underlying change in our business, results of operations or financial condition. In addition, our revenue is denominated in CAD, and we are exposed to foreign exchange risks arising from the respective foreign currency exposures, primarily with respect to the U.S. dollars. Foreign exchange risk arises from future commercial transactions and recognized financial assets and liabilities. The settlement of such transactions and the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies may give rise to foreign currency exchange gains and losses. To the extent that we do not adequately and effectively manage our currency exposures, a significant negative change in exchange rates could result in an increase in our costs or reduced sales, or result in translation impact, which could have adverse effect on our revenue, costs, and profit margins.

Our historical financial and results of operations may not be indicative of our future performance, and we may not be able to sustain our historical growth rates of revenue and profitability.

Our revenue and profitability may vary from time to time due to a combination of various factors, most of which are beyond our control, including the global economic condition, special events, regulations or actions in Canada pertaining to our business operation and our ability to control costs and operating expenses and to recruit, train and retain our key management and operating personnel and other employees. All these factors could materially and adversely affect our business, results of operations and financial condition. Accordingly, our historical results may not be indicative of our future performance or be otherwise comparable to our results in previous periods. In addition, the period-to-period comparisons of our operating results may not be as meaningful to us as a result of our rapid expansion in recent years and in the future. If our financial and results of operations do not meet the expectations of market analysis and investors, the future price of our Shares may be materially and adversely affected.

We may not be able to implement our future plans successfully.

Our future business plans are based on our Directors' existing intentions. These business plans and intentions are based on assumptions as to the occurrence of certain future events, which may or may not materialize, and the real situation might differ materially. Furthermore, our future business plans may be hindered by other factors beyond our control, such as competition within the industry where we operate and from other offline and online travel agents and direct distribution by travel providers. Therefore, there is no assurance that any of our future business plans will materialize, or result in the conclusion or execution of any agreement within the planned time frame, or that our objectives will be fully or partially accomplished. For details of our future plans, please refer to the section headed "Business — Business strategies" in this prospectus.

RISK FACTORS

Our insurance coverage may not be adequate to cover all losses that may occur.

As of the Latest Practicable Date, we had obtained insurance policies, mainly being general liability and third party insurance and professional liability insurance, which we believe are customary for businesses of our size and type and in line with the standard commercial practice in Canada. For more details on our insurance policies, please refer to the section headed “Business — Insurance” in this prospectus. However, there are certain types of losses, such as losses from war and acts of terrorism for which we cannot obtain insurance at a reasonable cost or at all. In the event that we incur substantial losses or liabilities but we are not insured against such losses or liabilities, or that our insurance is unavailable or inadequate to cover such losses or liabilities, our business, results of operations and financial condition might be materially and adversely affected.

Our collection, processing, storage, use and transmission of personal data could give rise to liabilities as a result of governmental regulation, conflicting legal requirements, differing views on data privacy or security breaches.

In our processing of travel transactions, we collect, process, store, use and transmit large amounts of sensitive personal data. This information is increasingly subject to legal restrictions around the world, which may result in conflicting legal requirements in Canada and other jurisdictions. The global-wide trend of legal restrictions is generally intended to protect the privacy and security of personal information, including credit card information that is collected, processed and transmitted in or from the governing jurisdiction. Companies that handle this type of data have also been subject to investigations, lawsuits and adverse publicity due to allegedly improper disclosure or use of sensitive personal information. As privacy and data protection becomes an increasingly politicized issue, we may also become exposed to potential liabilities as a result of conflicting legal requirements, differing views on the privacy of travel data or failure to comply with applicable requirements. Our business could be materially adversely affected if we are unable to comply with legal restrictions on the use of sensitive personal information or if such restrictions are expanded to require changes in our current business practices or are interpreted in ways that conflict with or negatively impact our present or future business practices.

We may not be able to adequately protect our intellectual property, which could weaken our competitive position and affect our business.

We believe that the success of our business and our competitive position depends on our technology and reputation. Our ability to implement our business plan successfully also depends in part on our ability to further build a reputation using our trademarks, proprietary know-how, software, trade secrets and other intellectual property, including our names and logos.

We have entered into confidentiality and non-compete agreements or standard employment contracts, which contain confidentiality and non-compete clauses, with certain key management and operating personnel, and have taken other precautionary procedures to protect our proprietary know-how, software, trade secrets and other proprietary and confidential information. However, we cannot assure you that our methods to protect such information will be sufficient and others could not independently develop or otherwise obtain access to our proprietary know-how, software and trade secrets. Preventing intellectual property infringement may be difficult, costly and time-consuming. Our efforts to protect our intellectual property rights may not be adequate, and we may

RISK FACTORS

be unable to identify any unauthorized use of our intellectual property rights or to take appropriate steps to enforce our rights on a timely basis, or at all. If we are unable to adequately protect our intellectual property rights, our reputation may be harmed, and our business may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

Intense market competition in the travel and tourism industry may lead adverse pricing pressure and reduced operating margins.

The industry in which we operate is rapidly evolving and competitive, with intense competition from other offline and online travel agents and direct distribution by travel providers. We compete with such market participants in wide range of aspects, including pricing, diversity and quality of products and services, reputation and qualified tour guides and other key personnel. In particular, as a result of the emergence and growth of low-cost airlines, consolidation in the airline industry and the recent market trends toward e-commerce, among other factors, traditional travel providers, especially the airlines, are seeking to reduce distribution costs by way of increasing direct sales activities. As such, we may be required to reduce the service fee or product price or increase capital expenditure in response to such market competition in order to maintain a competitive position or pursue new market opportunities.

Additionally, our competitors may develop new products or services with similar contents and quality to ours and target our customers, which will result in increased competition as well. Any inability to successfully compete with other competitors in the markets may prevent us from increasing or sustaining our revenues and profitability and may lead to loss of market share, which could in turn materially and adversely affect our business, financial condition, results of operations or cash flows. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We face intensified e-commerce competition within the airline industry.

E-commerce has become more popular in the airline industry, which enables travelers to have increasing online evaluation, selection and purchase of air tickets from websites of online travel agents and airlines. Therefore, we may be required to increase capital expenditure to face intensified e-commerce competition within the airline industry. We plan to upgrade our existing website to include online air ticket booking function and develop mobile booking applications, hence to increase our online channel presence. However, we cannot assure you that we can successfully cater to the development of e-commerce and expand our online and mobile distribution channels as planned, failure of which may result in a material and adverse effect on our financial performance and results of operations.

Our business is subject to natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreaks of contagious diseases or other catastrophic events.

Our operations are vulnerable to interruptions by natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreaks of contagious diseases or other catastrophic events beyond our control. Although we have established responsive guidelines and procedures to

RISK FACTORS

some of these events, there are certain events beyond our control, such as adverse weather conditions, natural disasters and labor strikes, which could also significantly and adversely affect traveler sentiments and demand for air tickets and other travel products and services to the affected destinations or for travel activities in general. Travel-related accidents and terrorist attacks against airline flights may also adversely affect our business and damage our reputation. Fires, floods and earthquakes may lead to evacuations and other disruptions in our operations, which may also prevent us from providing our customers with quality services for an indefinite period of time, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations.

Macro-economic factors have had and may continue to materially and adversely affect our business, results of operations and financial condition.

The travel and tourism industry is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels and consumer spending patterns. In particular, most of our business operations are located in Canada and accordingly, our results of operations are closely affected by the macro-economic condition in Canada. Any deterioration of Canada economy, decrease in disposable consumer income, fear of a recession and decreases in consumer confidence may lead to a reduction of customer demands of our services and products, which could materially and adversely affect our results of operations and financial condition.

Moreover, the occurrence of disruption in local and global financial markets that could impact the availability of credit generally may have a material and adverse impact on financings available to us. Renewed turmoil affecting the financial markets or banking systems may significantly restrict our ability to obtain financing from the capital markets or from financial institutions on commercially reasonable terms, or at all, which could materially and adversely affect our business, results of operations and financial condition.

We are exposed to the risk of strikes of cabin crews and cancellation of airline flights.

Our Directors consider that the nature of our business is highly dependent on the variety and availability of flights provided by the airlines to satisfy our customers' travel needs and requirements. In turn, the ability of airlines to offer flights is reliant on the day-to-day smooth operations of their cabin crews. In the event that there are disputes or disagreements between the airline management and the unions to which the cabin crew belong and that these disputes or disagreements cannot be amicably and quickly resolved, there may be a risk that the unions will instruct the cabin crew to stage strikes or other industrial action, which may cause disruption and the possible cancellation of scheduled flights. Such flight cancellations will inevitably affect travelers who may need to reschedule or cancel their booked travel plans. Our Directors believe that our Group would not be liable for damages to customers who need to reschedule or cancel their booked travel plans due to industrial action or flight cancellation. The affected airlines may compensate such affected customers by allowing refunds and/or rescheduling of flights. Our Group may be affected to the extent that the affected customers may request our Group to assist in rescheduling their trips or in handling any refunds if allowed by the airlines concerned. In addition, there may be potential disputes and/or complaints raised by customers in connection with flights cancellation and consequential disruption to their travel plans. Any prolonged cabin crew

RISK FACTORS

strikes and the consequential flights cancellation may also reduce our ongoing transactions with the airline, which may adversely affect our business operations and financial conditions.

RISKS RELATING TO CONDUCTING BUSINESS IN CANADA

Our business operation in Canada is subject to applicable regulations of certain individual provinces.

We have regional offices and retail branches in four provinces in Canada, namely, Ontario, Québec, British Columbia and Alberta. As regulation of the travel and tourism industry in Canada is the responsibility of each individual province, our business operations in each of these four provinces in Canada is subject to the applicable laws and regulations of the respective province. The laws and regulations applicable to our different regional offices and retail branches differ from each other in many respects, including advertising, consumer protections, degree of government involvement and license and approval requirements. Such differences may bring a significant challenge in operational terms, requiring our Group to tailor its business practices to different regulatory requirements and to increase compliance expenditures for adapting our business policies and practices for different jurisdictions. Any material non-compliance could have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, as highlighted in the section headed “Summary of the Constitution of Our Company and the Cayman Islands Companies Law” in Appendix III to this prospectus. Canadian laws and regulations may differ in some respects from comparable laws and regulations of Hong Kong or other jurisdictions. Accordingly, Shareholders may not have the benefit of certain Hong Kong laws and regulations.

Our Company is subject to Canadian taxation, and would be subject to adverse Canadian tax results if it ever ceases to be resident in Canada.

Our Company was incorporated under the laws of the province of Ontario and continued and redomiciled under the laws of the Cayman Islands. Similarly, BVTEHU was incorporated under the laws of the province of Ontario, and continued and redomiciled under the laws of the BVI. However, both companies will generally be considered to remain as residents of Canada for purposes of the ITA so long as their “mind and management” also remain in Canada. As such, our Company and BVTEHU will be subject to Canadian taxation under the ITA in the same manner as any other corporation resident in Canada, including being subject to full Canadian taxation on worldwide income.

If our Company or BVTEHU at any time becomes a non-resident of Canada for purposes of the ITA, certain adverse “departure taxes” would arise. This result would be triggered if the “mind and management” of our Company or of BVTEHU shifts to a significant extent outside of Canada. While these “departure taxes” are imposed on our Company and/or BVTEHU, respectively, and not its shareholders, they could significantly erode the value of your investment. Our Company and BVTEHU currently intend to maintain their respective “mind and management” in Canada such that these “departure taxes” are not currently anticipated to arise. However, no commitments are made in this regard, and it is also possible that our Company and BVTEHU may be subject to events beyond their control that may impact their “mind and management” and ultimately lead to

RISK FACTORS

the imposition of such taxes. Please also refer to the section headed “Certain Canadian Legal and Regulatory Considerations in Relation to the Share Offer — Certain Canadian federal income tax considerations — Canadian tax residence matters” in this prospectus.

As a company with significant operations in Canada, it could be difficult for our investors to effect service of process on and recover against us or our Directors. Shareholders may face difficulties in protecting their interest.

We are a Canadian company and most of our Directors are residents of various jurisdictions outside Hong Kong. A substantial portion of our assets and the assets of our Directors and officers at any one time, are and may be located in jurisdictions outside Hong Kong. It could be difficult for investors to effect service of process within Hong Kong on our Directors who reside outside Hong Kong or to recover against us or our Directors on judgments of Hong Kong courts predicated upon the laws of Hong Kong. We have also been advised by our Canadian legal advisors that Canada has no arrangement for the reciprocal recognition and enforcements of judgment with Hong Kong. Our corporate affairs are governed by our Articles of Association and other applicable laws and regulations. You should be mindful about such differences. Please refer to the section headed “Summary of the Constitution of Our Company and the Cayman Islands Companies Law” in Appendix III to this prospectus for more details.

Dividends payable to non-Canadian investors will be subject to withholding taxes under Canadian tax laws.

Provided our Company remains a resident of Canada for purposes of the ITA, dividends paid or credited or deemed to be paid or credited (if any) on our Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%, subject to reduction under the provisions of any applicable income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is resident.

For further details about potential Canadian federal income tax considerations, please refer to the section headed “Certain Canadian Legal and Regulatory Considerations in Relation to the Share Offer — Certain Canadian Federal Income Tax Considerations” in this prospectus.

Our Company may be subject to government laws and regulations affecting privacy and data collection.

Our Company is subject to applicable privacy laws regarding the collection, use, disclosure and protection of customer and employee data. Among other things, Alberta has the Personal Information Protection Act; British Columbia has the Personal Information Protection Act and Québec has the An Act Respecting the Protection of Personal Information in the Private Sector (further described in the section headed “Regulatory Overview” in this prospectus), which apply to activities within those provinces, and the federal Personal Information Protection and Electronic Documents Act applies to the collection, use and disclosure of personal information in the course of commercial activities in all other provinces as well as to international and interprovincial activities. Such legislation relating to data collection on customers and employees for security purposes may increase costs of operations. Any material changes that add additional requirements to collecting, processing and filing data with, or otherwise reporting data to, government agencies may adversely impact our business.

RISK FACTORS

Changes in government regulations relating to tour operators and travel agents could impose additional restrictions on operations that could increase operating costs or disrupt our operations.

The travel and tourism industry is subject to extensive laws relating to, among other things, safety and security, consumer, provision of services, competition, environment and labor concerns. Government entities such as, the Travel Industry Council of Ontario (Ontario), Consumer Protection BC (British Columbia), Office de la protection du consommateur (Québec), the Canadian Transportation Agency, and other domestic or foreign government entities (further described in the section headed “Regulatory Overview” in this prospectus) may implement new laws or regulatory schemes, or render decisions, rulings or changes in policy that could have a material adverse impact on the tour operators and travel agents in general by significantly increasing the cost of operations, imposing additional requirements on operations or reducing the demand for travel and tourism related products and services.

RISKS RELATING TO OUR OPERATIONS OUTSIDE OF CANADA

During the Track Record Period, we had limited operations in the United States. We intend to continue to expand our presence in North America, in particular the United States, in future years. Accordingly, we may be subject to certain risks as a result our existing and proposed expansion of business and operations outside of Canada, many of which are beyond our control and could adversely affect our business, including:

- currency exchange and other restrictions on the withdrawal of our international investments and earnings, including potentially substantial withholding tax and other tax liabilities or other restrictions on the repatriation of cash generated by our international operations;
- exposure to international diplomatic relations and local economic and political conditions, epidemics, natural disasters or security issues (including terrorism, political instability and war);
- restrictive government policies, such as trade protection measures and restrictions on travel generally, more burdensome visa requirements and restrictions and other requirements affecting inward investment;
- differences in business practices, such as potentially longer payment cycles and differing accounting practices;
- differences in general employment conditions and the degree of employee unionization and activism;
- differences in, and unexpected changes to, legal or regulatory requirements, including laws on taxation, consumer protection, pricing and discounts; and
- preference of local populations for local providers.

If our business or operations outside of Canada are negatively affected as a result of these or other factors, our overall financial results and business prospects could be adversely impacted and we may be unable to expand our business as planned.

RISK FACTORS

RISKS RELATING TO THE SHARE OFFER

An active trading market of our Shares may not develop.

Prior to the Share Offer, there has been no public market for any of our Shares. The initial Offer Price range for the Offer Shares was the result of negotiation between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters). The Offer Price may differ significantly from the market price for our Shares following the Share Offer. However, even if approved, being listed on the Main Board of the Stock Exchange does not guarantee that an active trading market for our Shares will develop following the Share Offer or that our Shares will always be listed and traded on the Main Board of the Stock Exchange. There can be no assurance that an active trading market for our Shares will develop or be maintained following completion of the Share Offer, or that the market price of our Shares will not fall below the Offer Price. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares could be materially and adversely affected.

There has been no prior public market for our Shares and the liquidity, market price and trading volume of our Shares may be volatile.

Upon Listing, the trading volume and market price of our Shares may be affected or influenced by a number of factors from time to time, including the revenue, earnings and cash flows of our Group, announcements of new businesses and/or investments of our Group, strategic alliances and/or acquisitions, fluctuations in the market prices of comparable catering service providers, changes of senior management of our Group, and general economic conditions. Any of such developments may result in large and sudden changes in the volume and price at which our Shares will trade. There is no assurance if such developments will occur or not and it is difficult to quantify the impact on our Group and on the trading volume and market price of our Shares. In addition, shares of other companies listed on the Main Board of the Stock Exchange have experienced substantial price volatility in the past. It is likely that from time to time, our Shares will be subject to changes in price that may not be directly related to our Group's financial or business performance.

Purchasers of the Offer Shares will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future.

Based on the Offer Price range, the Offer Price is expected to be higher than the net tangible asset value per Share immediately prior to the Share Offer. Therefore, the purchasers of the Offer Shares will experience an immediate dilution in unaudited pro forma-adjusted net tangible asset value to approximately HK\$0.10 per Share and approximately HK\$0.12 per Share based on the Offer Price of HK\$0.335 per Offer Share and HK\$0.425 per Offer Share, respectively. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the shareholding percentage of our existing Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the Offer Share.

RISK FACTORS

Future disposal by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

The Shares held by our Controlling Shareholders are subject to a lock-up period beginning on the date on which trading in the Shares commences on the Stock Exchange. There is no assurance that our Controlling Shareholders will not dispose of our Shares held by them. Our Group cannot predict the effect, if any, of any future disposal of our Shares by any substantial shareholder of our Company or Controlling Shareholders, or the availability of Shares for disposal by any substantial shareholder of our Company or Controlling Shareholder may have on the market price of the Shares. Disposal of a substantial amount of Shares by any substantial shareholder of our Company or any Controlling Shareholder or the issuance of a substantial amount of new Shares by our Company, or the market perception that such disposal or issuance may occur, could materially and adversely affect the prevailing market price of our Shares.

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our public Shareholders' best interests.

Immediately following the Share Offer, our Controlling Shareholders will, beneficially own 45% of our Company's issued share capital immediately upon completion of the Share Offer, or approximately 43.4% if the Over-allotment Option is exercised in full. The interests of such Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of such Controlling Shareholders conflict with the interests of our other Shareholders, or if such Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling Shareholders could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Such Controlling Shareholder has no obligation to consider the interests of our Company or the interests of our other shareholders. As such, such Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may materially and adversely affect our Company's business operations and the price at which our Shares are traded on the Stock Exchange.

The industry statistics and forward-looking information contained in this prospectus may not be accurate, reliable and fair.

This prospectus contains information and statistics, including but not limited to information and statistics relating to Canada and the travel and tourism industry and markets, which have been extracted partly from various publicly available official publications as well as industry report which are not commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot

RISK FACTORS

guarantee the quality of such sources. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the Underwriters nor any of their affiliates or advisors, nor we or any of our affiliates or advisors have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled by other available sources. Accordingly, the industry information and statistics contained in this prospectus may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

This prospectus also contains certain forward-looking statements and information relating to us that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Accordingly, you should not place undue reliance on any such forward-looking statements contained in this prospectus. For further details, please refer to the section headed “Forward-looking Statements” in this prospectus.

You should read this entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Share Offer.

There may be press and media coverage regarding us or the Share Offer, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorized the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. In making your decision as to whether to invest in our Shares, you should rely only on the financial, operational and other information included in this prospectus.

Possible setting of the Offer Price after making a Downward Offer Price Adjustment

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$0.302 per Offer Share upon the making of a Downward Offer Price Adjustment. In such a situation, the Share Offer will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$0.302, the estimated net proceeds we will receive from the Share Offer will be reduced to approximately HK\$34.6 million and such reduced proceeds will be used as described in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our executive Directors and senior management are based in Canada and are expected to continue to be based in Canada. In addition, substantially all of our assets are based in Canada and our headquarters, core business and operations are primarily located, managed and conducted in Canada. As each of our executive Directors has a vital role in our business and operations, it is important for them to remain to be based in Canada, which is physically close to our operations. Relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company and it will require time to process the application for residency in Hong Kong. Moreover, it may not be in the best interest of our Company and Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong for the sole purpose of satisfying the management presence requirements as such arrangement will increase our administrative expenses and reduce the effectiveness and responsiveness of the Board in making decisions. Our Company currently does not, and in the foreseeable future will not, have a sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with the requirement of Rule 8.12 of the Listing Rules, subject to the following conditions:

- (a) has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange and ensure that we will comply with the Listing Rules at all times. The two authorized representatives appointed are Ms. Tsu, an executive Director, and Mr. Kai Yu Chow, our company secretary. Mr. Kai Yu Chow is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email (if applicable). Each of the two authorized representatives will be authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and Mr. Kai Yu Chow has been authorized to accept service of legal process and notices in Hong Kong on our behalf.
- (b) each of the authorized representatives has means to contact all of our Directors (including the independent non-executive Directors) and all of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company will implement a policy that (i) each Director will have to provide his/her office phone number, mobile phone number, facsimile number and email address (if applicable) to the authorized representatives; (ii) in the event that a Director expects to travel or is out of office, he/she will endeavor to provide the phone number of the place of his/her accommodation to the authorized representatives or maintain an open line of communication via his/her mobile phone; and (iii) each of our Directors and authorized representatives will provide

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

their respective office phone number, mobile phone numbers, facsimile numbers and email addresses (if applicable) to the Stock Exchange.

- (c) in addition, each of our Directors who is not being ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to come to Hong Kong and meet with the relevant officers of the Stock Exchange within a reasonable period of time, when required.
- (d) in compliance with Rule 3A.19 of the Listing Rules, our Company has appointed Lego Corporate Finance Limited as its compliance advisor to act as an additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. The contact person of the compliance advisor will be fully available to answer enquiries from the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- (c) all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. So far as the Share Offer is concerned, no person is authorized to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, advisors, officers, employees, agents or representatives or any other person or party involved in the Share Offer. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer. The Share Offer comprises the International Offering and the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Agreement and is subject to us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price, the Share Offer will not proceed and will lapse. For further information about the Underwriters and the Underwriting Agreements, please see the section headed “Underwriting” in this prospectus.

DETERMINATION OF THE OFFER PRICE

The indicative Offer Price range is HK\$0.335 to HK\$0.425. The Offer Price is expected to be determined by an agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, June 21, 2018 and in any event not later than Tuesday, June 26, 2018. If, for any reason, the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Tuesday, June 26, 2018, the Share Offer will not proceed and will lapse.

DOWNWARD OFFER PRICE ADJUSTMENT

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Share Offer is to proceed.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Offer Shares under the Share Offer will be required to confirm, or by his/her acquisition of the Offer Shares be deemed to confirm, that he/she is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he/she is not acquiring, and has not been offered any such shares in circumstance that contravenes any such restrictions.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorization by the relevant regulatory authorities or an exemption therefrom.

Prospective applicants for the Offer Shares should consult their professional advisors and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme).

No part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

SHARE REGISTRAR AND STAMP DUTY

Our Company's principal share register will be maintained by our Principal Share Registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong share registrar will be maintained by our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, in Hong Kong.

All Shares in issue will be registered on our Hong Kong Share Registrar to be maintained in Hong Kong. Only Shares registered on our Hong Kong Share Registrar may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees. Dealings in Shares registered on our Hong Kong Share Registrar will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Hong Kong Share Registrar, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the registered address of that Shareholder whose name stand first in the register in respect of the joint holding, or to such person and to such address as the Shareholder or joint Shareholders may in writing direct, in accordance with the Articles.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscription for, purchasing, holding and dealings in our Shares. It is emphasized that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, supervisors, agents or advisors or any other persons involved in the

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Share Offer accepts responsibility for any tax effects on, or liabilities of holders of our Shares resulting from the subscription, purchase, holding or disposal of our Shares.

PROCEDURE FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure of the Share Offer” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

DEALINGS AND SETTLEMENT

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Thursday, June 28, 2018. The Shares will be traded in board lots of 10,000 Shares each and the stock code is 1620.

Dealings in the Shares on the Stock Exchange will be effected by participants of the Stock Exchange whose bid and offer quotations will be available on the Stock Exchange’s teletext page information system. Delivery and payment for Shares dealt on the Stock Exchange will be effected two trading days following the transaction date. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Only certificates for Shares registered in the branch register of members of our Company will be valid for delivery in respect of transactions effected on the Stock Exchange. If you are unsure about the procedures for dealings and settlement arrangement on the Stock Exchange on which the Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisors.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

EXCHANGE RATE CONVERSION

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollar amounts have been translated using the following rates for each of the following periods:

| | |
|--------------------------------------|-------------------------|
| For the year ended December 31, 2015 | As of December 31, 2015 |
| CAD1 : HK\$6.06 | CAD1 : HK\$5.60 |
| USD1 : HK\$7.75 | USD1 : HK\$7.75 |
| For the year ended December 31, 2016 | As of December 31, 2016 |
| CAD1 : HK\$5.85 | CAD1 : HK\$5.77 |
| USD1 : HK\$7.76 | USD1 : HK\$7.76 |
| For the year ended December 31, 2017 | As of December 31, 2017 |
| CAD1 : HK\$6.02 | CAD1 : HK\$6.23 |
| USD1 : HK\$7.79 | USD1 : HK\$7.81 |

No representation is made that any amounts in CAD, US\$ or HK\$ were or could have been converted at the above rate or at any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

| <u>Name</u> | <u>Address</u> | <u>Nationality</u> |
|--|--|--------------------|
| Executive Directors | | |
| Mrs. Rita Pik Fong Tsang (朱碧芳) | 21 Salonica Road Toronto, Ontario Canada M3C 2L6 | Canadian |
| Ms. Annie Shuk Fong Tsu (朱淑芳) | 16 Chipping Road Toronto, Ontario Canada M3B 1L1 | Canadian |
| Non-executive Director | | |
| Dr. Kwok Chun Dennis Chu (朱國俊) | 25 Salonica Road Toronto, Ontario Canada M3C 2L6 | Canadian |
| Independent non-executive Directors | | |
| Dr. Michael Edward Ricco | 4927 Olde Forest Drive Kalamazoo MI 49009 United States | American |
| Mrs. Kitty Yuk-Yee Yeung (楊伍玉儀) | 3661, Golden Orchard Drive Mississauga, Ontario Canada L4Y 3J2 | Canadian |
| Mr. Sik Yuen Lau (劉錫源) | Flat C, 6th Floor 7 Grampian Road, Kowloon City, Kowloon, Hong Kong | Chinese |

For details of our Directors, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Lego Corporate Finance Limited

(a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO)

Room 1601, 16th Floor
China Building
29 Queen's Road Central
Central
Hong Kong

Sole Global Coordinator

Lego Securities Limited

(a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO)

Room 301, 3rd Floor
China Building
29 Queen's Road Central
Central
Hong Kong

Joint Bookrunners

Lego Securities Limited

(a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO)

Room 301, 3rd Floor
China Building
29 Queen's Road Central
Central
Hong Kong

Kingsway Financial Services Group Limited

(a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO)

7/F Tower 1, Lippo Centre
89 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Joint Lead Managers

Kingsway Financial Services Group Limited
(a corporation licensed to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO)
7/F Tower 1, Lippo Centre
89 Queensway
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
(a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)
20/F Wing On Centre
111 Connaught Road, Central
Hong Kong

Pacific Foundation Securities Limited
(a corporation licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO)
11/F New World Tower II
16-18 Queen's Road Central
Hong Kong

Future Land Resources Securities Limited
(a corporation licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO)
Flat B 20/F
Guangdong Investment Tower
148 Connaught Road Central
Sheung Wan, Hong Kong

VMS Securities Limited
(a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)
49/F One Exchange Square
8 Connaught Place
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Co-Manager

AMC Wanhai Securities Limited
(a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO)
1604-1605, 16/F West Tower
Shun Tak Center
168-200 Connaught Road
Sheung Wan, Hong Kong

Legal Advisors to our Company

As to Hong Kong law:

Sidley Austin
Level 39
Two International Finance Center
8 Finance Street
Central
Hong Kong

As to Canada law:

McMillan LLP
Suite 4400
Brookfield Place
181 Bay Street
Toronto, Ontario
Canada M5J 2T3

As to U.S. law:

Husch Blackwell LLP
Suite 1000
4801 Main Street
Kansas City
Missouri
USA

As to Cayman Islands and BVI laws:

Harney Westwood & Riegels
3501 The Center
99 Queen's Road Central
Central
Hong Kong

Legal Advisors to the Sole Sponsor and the Underwriters

As to Hong Kong law:

Pinsent Masons
50th Floor
Central Plaza
18 Harbour Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditors and reporting accountants

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Industry consultant

China Insights Industry Consultancy Limited
10th Floor, Tomorrow Square
399 West Nanjing Road
Huangpu District
Shanghai 20003
PRC

Receiving banker

**Industrial and Commercial Bank of China
(Asia) Limited**
33/F., ICBC Tower
3 Garden Road
Central, Hong Kong

CORPORATE INFORMATION

| | |
|---|--|
| Registered office | 4th Floor, Harbour Place 103 South Church Street PO Box 10240 Grand Cayman, KY1-1002 Cayman Islands |
| Headquarters and place of business in Canada | 15 Kern Road Toronto, Ontario Canada M3B 1S9 |
| Principal place of business in Hong Kong | 31st Floor, 148 Electric Road North Point Hong Kong |
| Company secretary | Mr. Kai Yu Chow (<i>HKICPA</i>) 5G Capilano Court Pictorial Garden Shatin Hong Kong |
| Audit committee | Mr. Sik Yuen Lau (<i>Chairman</i>) Dr. Michael Edward Ricco Dr. Kwok Chun Dennis Chu |
| Remuneration committee | Dr. Michael Edward Ricco (<i>Chairman</i>) Mrs. Kitty Yuk-Yee Yeung Mr. Sik Yuen Lau Dr. Kwok Chun Dennis Chu |
| Nomination committee | Mrs. Rita Pik Fong Tsang (<i>Chairman</i>) Mrs. Kitty Yuk-Yee Yeung Dr. Michael Edward Ricco |
| Authorized representatives | Ms. Annie Shuk Fong Tsu 16 Chipping Road Toronto, Ontario Canada M3B 1L1 Mr. Kai Yu Chow 5G Capilano Court Pictorial Garden Shatin Hong Kong |
| Principal Share Registrar | Harneys Fiduciary (Cayman) Limited 4th Floor, Harbour Place 103 South Church Street PO Box 10240 Grand Cayman KY1-1002 Cayman Islands |

CORPORATE INFORMATION

| | |
|--|---|
| Hong Kong Share Registrar and transfer office | Boardroom Share Registrars (HK) Limited 2103B, 21st Floor, 148 Electric Road North Point Hong Kong |
| Principal banker | HSBC Bank Canada Suite 108 Liberty Square, HSBC Tower 3601 Highway 7 East Markham, Ontario Canada L3R 0M3 |
| Compliance advisor | Lego Corporate Finance Limited Room 1601, 16th Floor China Building 29 Queen's Road Central Hong Kong |
| Company's website^(Note) | www.toureast.com |

Note: The information on the website of our Company does not form part of this prospectus.

INDUSTRY OVERVIEW

This section contains certain information which is derived from official government resources and a commissioned report, the CIC Report, prepared by CIC, which is an Independent Third Party. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other person or party involved in the Share Offer and no representation is given as to the accuracy of the CIC Report. Certain information and statistics included, including those excerpted from official and government publications and sources in Canada and the U.S., may not be consistent with other information and statistics compiled within or outside Canada or the U.S. by third parties.

SOURCE OF INFORMATION

In connection with the Share Offer, we have commissioned CIC, an independent industry consultant, to conduct a market analysis of and to provide a research report on the air ticketing, travel business process management and travel products and services markets in Canada and the U.S. CIC is an investment consulting company established in Hong Kong, and provides independent industry consultant, commercial due diligence and strategy consulting services. Certain information set forth in this section has been extracted from the CIC Report. The CIC Report is independent from our influence. The agreed fee for the research and preparation of the CIC Report is US\$99,000.

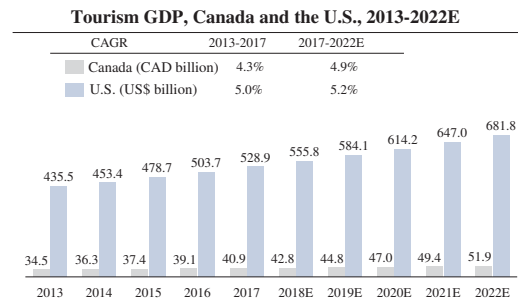
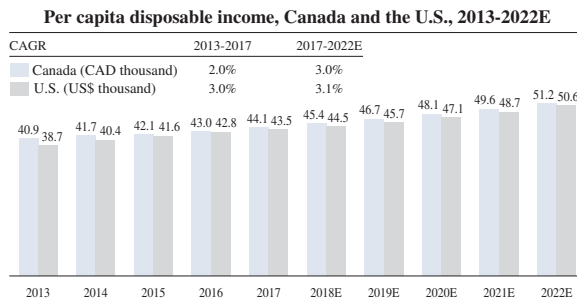
In preparation for the CIC Report, CIC conducted both primary and secondary research. The primary research involved interviewing key industry experts and leading industry participants in Canada and the U.S. The secondary research involved analysis of market data obtained from publicly available data sources such as the International Monetary Fund and Statistics Canada. The following principal assumptions are used in the CIC Report: (i) Canada and the U.S. economy are likely to maintain sustainable growth rates in the next five years; (ii) relevant industry factors are likely to drive the growth of the air ticketing market in Canada and the U.S. in the forecast period; (iii) relevant industry factors are likely to drive the growth of the travel business process management market in Canada and the U.S. in the forecast period; (iv) relevant industry factors are likely to drive the growth of the travel products and services market in Canada in the forecast period; and (v) there is no extreme force majeure or industry regulation in which the air ticketing, travel business process management and travel products and services markets in Canada and the U.S. may be affected dramatically or fundamentally. Except as otherwise noted, all the data and forecasts in this section are derived from the CIC Report. Our Directors, after reasonable investigation, confirm that they were not aware of any adverse change to the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information in this section.

INDUSTRY OVERVIEW

OVERVIEW OF THE ECONOMIES OF CANADA AND THE U.S.

Spending Power of Canadian and the U.S. Residents

According to the CIC Report, between 2013 to 2017, Canada’s per capita disposable income increased at a CAGR of 2.0% from CAD40,900 to CAD44,100, while the per capita disposable income of the U.S. increased at a CAGR of 3.0% from US\$38,700 to US\$43,500. As a result of the sustained economic growth, it is expected that the per capita disposable income of Canada and the U.S. will grow at a CAGR of 3.0% and 3.1%, respectively, from 2017 to 2022. As the per capita disposable income directly impacts individuals’ consumption behavior, the increasing per capita disposable income is expected to have a positive impact on the travel and tourism industry. Canada’s tourism GDP (contribution of travel and tourism to GDP) increased at a CAGR of 4.3% from CAD34.5 billion in 2013 to CAD40.9 billion in 2017, and is expected to increase to CAD51.9 billion in 2022 at a CAGR of 4.9% from 2017. The tourism GDP of the U.S. increased at a CAGR of 5.0% from US\$435.5 billion in 2013 to US\$528.9 billion in 2017, and is expected to increase to US\$681.8 billion in 2022 at a CAGR of 5.2% from 2017. The following charts illustrate the historical and projected per capita disposable income and the tourism GDP in Canada and the U.S., respectively:



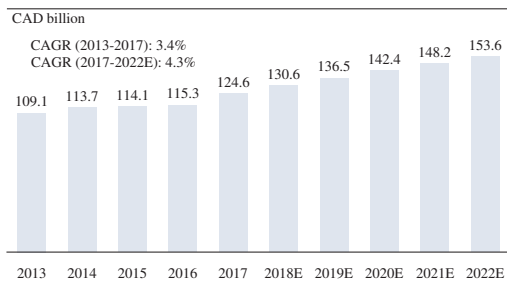
Source: Statistics Canada, U.S. Bureau of Economic Analysis, CIC

INDUSTRY OVERVIEW

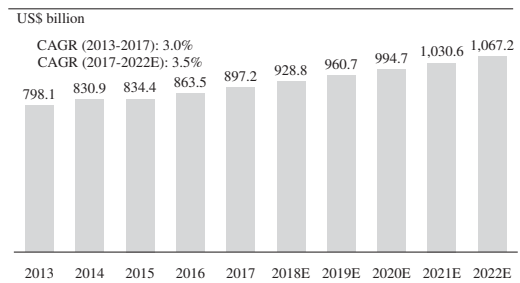
Household Spending on Travel and Tourism

According to the CIC Report, between 2013 to 2017, Canada's total annual household spending on travel and tourism increased at a CAGR of 3.4% from CAD109.1 billion to CAD124.6 billion, while the total annual household spending on travel and tourism in the U.S. increased at a CAGR of 3.0% from US\$798.1 billion to US\$897.2 billion. Primarily driven by the increasing per capita disposable income as well as the stronger willingness of Canadian and U.S. residents to spend on leisure and recreational activities, the total annual household spending on travel in Canada is expected to continue to grow to CAD153.6 billion in 2022 at a CAGR of 4.3% from 2017, while the total annual household spending on travel in the U.S. is expected to continue to grow to US\$1,067.2 billion in 2022 at a CAGR of 3.5% from 2017. The following charts illustrate the historical and projected annual household spending on travel in Canada and the U.S., respectively:

Annual household spending on travel and tourism, Canada, 2013-2022E



Annual household spending on travel and tourism, the U.S., 2013-2022E



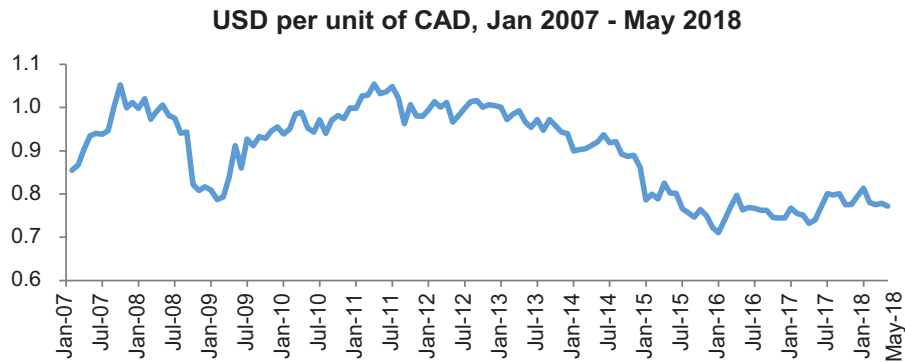
Source: World Travel & Tourism Council, National Travel and Tourism Office, CIC

Exchange rate overview of Canadian Dollars against U.S. dollars

The Canadian Dollars experienced several fluctuations during the past ten years. The Canadian dollar appreciated from 2007 to late 2008 due to an increase in interest rates in Canada. A significant depreciation occurred in 2009 because of Canada's sluggish economy. After that until year 2012, the Canadian Dollar experienced continuous appreciation along with rising natural resource prices. The Canadian Dollars experienced significant depreciation against U.S. dollars over the past six years due to the following reasons: (i) the increase of interest rate in the United States led to an increasing demand for U.S. dollars and in turn a decreasing demand for the Canadian Dollars, and (ii) as a significant resources supplier in North America, the weak bulk commodity prices affected the trade terms and had a negative impact on the exchange rate of Canadian dollars.

INDUSTRY OVERVIEW

The following chart illustrates the historical fluctuation of Canadian Dollars against U.S. Dollars:

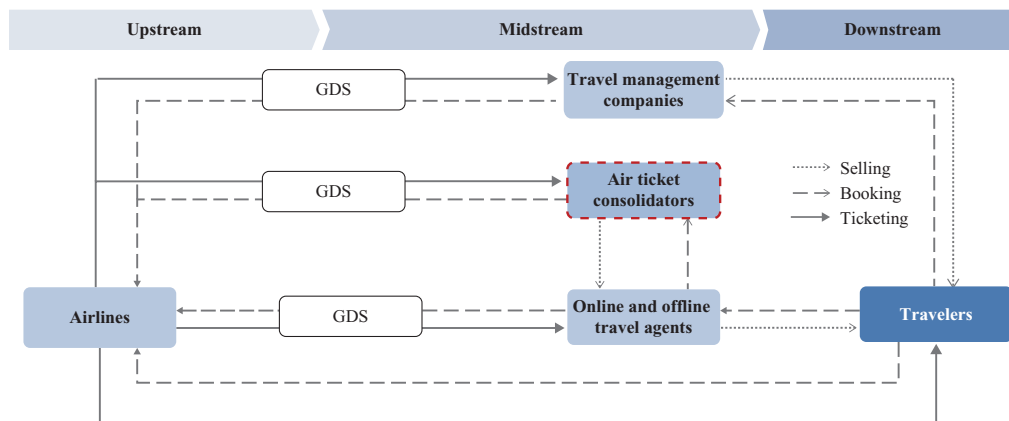


Source: International Monetary Fund

AIR TICKETING MARKET IN CANADA AND THE U.S.

Value Chain Analysis

The value chain of the air ticketing market, which typically involves selling, booking and ticketing as illustrated below:



Source: CIC

Upstream: Airlines, as the upstream of the air ticketing market, may sell air tickets directly through airline websites, mobile channels, call centers or tickets' offices. Given the high operating and selling costs for selling air tickets to travelers on their own, limited reach to customer base and perishable nature of airline seats, the airlines often adopt the multi-channel distribution model to also distribute air tickets indirectly through intermediaries such as online and offline travel agents, travel management companies and air ticket consolidators.

Midstream: The midstream of the air ticketing market consists of online and offline travel agents, air ticket consolidators and travel management companies. Travel management companies mainly deal with corporate customers and online and offline travel agents mainly deal with travelers directly, whereas air ticket consolidators mainly transact with online and offline travel agents, instead of selling them directly to downstream travelers. Online and offline travel agents'

INDUSTRY OVERVIEW

purchase of air tickets through air ticket consolidators is a common industry practice. Airlines, travel agents, air ticket consolidators and travel management companies typically subscribe to GDSs, which are computer systems that enable automated transactions between travel service providers, mainly airlines, hotels and car rental companies, and travel agents. Due to the highly perishable nature of airline seats, most airlines would try out different permutations of channel/revenue mix to maximize their yields and minimize costs. Air ticket consolidator was devised by the airlines as a yield management tool because the cooperation between airlines and air ticket consolidators on one hand penetrates the supplies of airlines further to downstream travel agents which do not have ticketing authorities of airlines or do not have establishment to deal with airlines directly, and on the other hand spreads their risks for not focus and over-rely on any particular distribution channels. Over the course of time, air ticket consolidators have become a reliable distribution channel and business partner where airlines can negotiate annual contracts to sell private fares, establish revenue targets, and tightly control ticket sales with steady, consistent and stable demand.

Downstream: The downstream travelers can book air tickets either from airlines directly or from travel agents and travel management companies.

IATA and ARC Accreditations

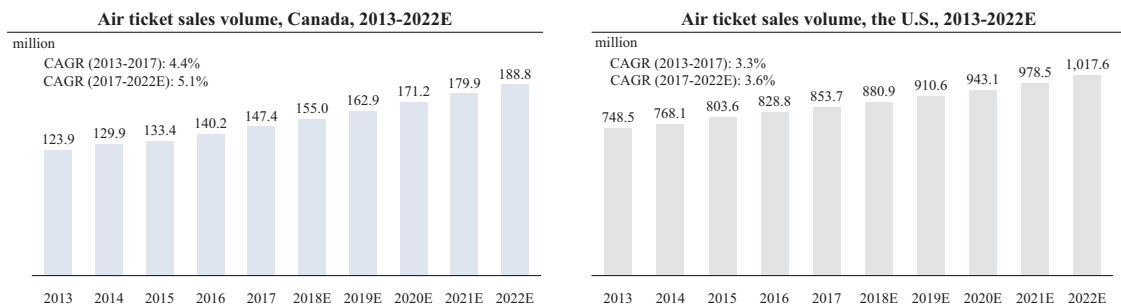
IATA and ARC are two representative airline trade associations which provide accreditations to selected travel agents. Both IATA and ARC have established certain standards for the accreditations including, among other things, (i) possessing appropriate official licenses to conduct business in its local jurisdiction; (ii) meeting financial requirements pursuant to the standards established from time to time by IATA or ARC; (iii) employing qualified staff members; and (iv) safe custody of documents and data. IATA and ARC accreditations qualify their holders to (i) to issue air tickets; (ii) access to IATA or ARC member airlines; and (iii) access BSP (a billing and settlement plan system that enables the swift, reliable and efficient movement of funds between participating airline members and IATA accredited travel agents) or ARC settlement and reconciliation. By 2016, approximately 69,500 travel agents hold IATA accreditations and approximately 13,000 travel agents hold ARC accreditations.

INDUSTRY OVERVIEW

Overview of Air Ticketing Market

Market size in terms of the volume of air ticket sales

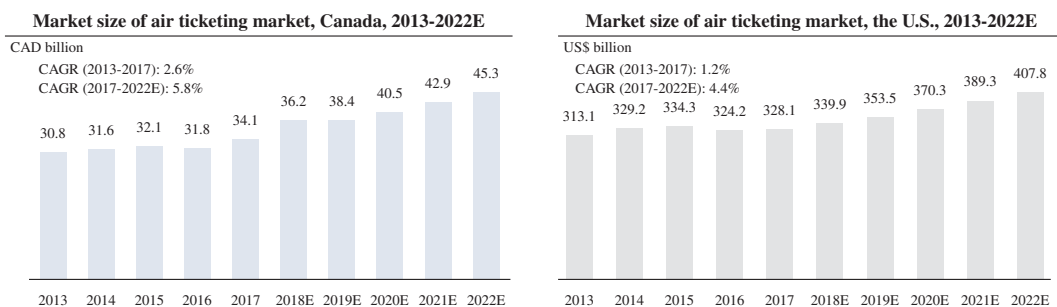
Driven by the changing customer behavior as a result of the increasing per capita disposable income, Canadian and U.S. residents have become more interested in recreational activities, including travel and tourism, and are more inclined to choose air as the way of travel. As such, from 2013 to 2017, the air ticketing market in terms of sales volume in Canada increased from 123.9 million to 147.4 million at a CAGR of 4.4%, while the air ticketing market in terms of sales volume in the U.S. increased from 748.5 million to 853.7 million at a CAGR of 3.3%. As the trend continues, air ticket sales volume is expected to reach 188.8 million in Canada and 1,017.6 million in the U.S. in 2022 at a CAGR of 5.1% and 3.6%, respectively, from 2017. The charts below illustrate the historical and projected air ticket sales volume in Canada and the U.S., respectively:



Source: Statistics Canada, Bureau of Transportation Statistics, CIC

Market size in terms of the value of air ticket sales

From 2013 to 2017, the total size of the air ticketing market in Canada recorded a CAGR of 2.6%, while the total size of the air ticketing market in the U.S. recorded a CAGR of 1.2%. Taking into account the increasing price of jet fuel and crude oil triggered by the recovery of demand and the expected joint production curtailment by the Organization of Petroleum Exporting Countries, as well as the rapid growth of low cost carriers, it is anticipated that air ticket sales in Canada and the U.S. will reach CAD45.3 billion and US\$407.8 billion, respectively, in 2022 at a CAGR of 5.8% and 4.4%, respectively, from 2017. The following charts illustrate the historical and projected market size of air ticketing market in Canada and the U.S.:



Source: CIC

INDUSTRY OVERVIEW

Overview of Air Ticket Midstream Market in Canada and the U.S.

The air ticket midstream markets in Canada and the U.S. consists of online and offline travel agents, air ticket consolidators and travel management companies. Travel management companies mainly deal with corporate customers and online and offline travel agents mainly deal with travelers directly, whereas air ticket consolidators mainly transact with online and offline travel agents. Among the online and offline travel agents in Canada and the U.S., the ethnic travel agents play an increasingly important role in the market. According to Statistics Canada, the population of the ethnic group with non-North American origins in Canada increased from approximately 26.6 million in 2011 to approximately 27.6 million in 2016 at a CAGR of approximately 0.8%. On the other side, the number of study permit holders by the ethnic student group (excluding the U.S.) in Canada increased from approximately 0.3 million in 2013 to approximately 0.5 million in 2017, at a CAGR of 13.5%, respectively. According to the U.S. Census Bureau, the Chinese population (excluding Taiwanese) in the U.S. increased from approximately 4.0 million in 2011 to approximately 4.9 million in 2016 at a CAGR of 4.1%. The growth of the population of the ethnic group in Canada and the U.S. is expected to stimulate the demand for ethnic travel agents.

In 2017, the air ticket midstream market takes up approximately 50.6% of the overall air ticketing market in terms of sales volume in Canada, out of which air ticket consolidation market accounted for approximately 8.1% of Canada's air ticket midstream market, which represented 4.1% of Canada's overall air ticketing market, and approximately 54.5% of the overall air ticketing market in terms of sales volume in the U.S. out of which air ticket consolidation market accounted for approximately 8.2% of the U.S.'s air ticket midstream market, which represented 4.5% of the U.S.'s overall air ticketing market. From 2017 to 2022, the air ticket sales volume by midstream market is expected to increase steadily in both Canada and the U.S., with a corresponding CAGR of 4.2% and 2.7%, respectively. During the same period, the air ticket sales volume by air ticket consolidation market is also expected to increase steadily in both Canada and the U.S., with a corresponding CAGR of 4.3% and 2.7%, respectively.

Key Drivers

Increasing per capita disposable income. An increasing per capita disposable income changed individuals' consumption behavior and promoted the spending on leisure and recreational activities such as travel. As a result of the stronger purchasing power, more travelers tend to choose air for its speediness as the way of travel, which is typically more costly than other transportation means, and choose airlines with better service or fare classes.

Prospect of the travel and tourism industry. The growing travel and tourism industry gave rise to the demand of air tickets for different destinations, airlines and fare classes, making air ticket consolidators with access to diversified air ticket supplies attractive to travel agents.

Technological advances. The advances in travel technologies helped improve the efficiency of air ticket distribution by reaching a broader customer base through the increasing penetration of online sales and capability to process a large volume of air ticket sales transactions quickly and accurately.

Large quantity of immigrants. Canada is one of the top immigration destinations, with more than one fifth of the population being foreign-born. Immigrants from diversified birthplace

INDUSTRY OVERVIEW

frequently travel to and from their home countries due to their close bonds with the home countries. As their home countries are typically far from Canada, immigrants need to travel by air, and in turn increased the demand for both volume and diversification of air tickets. Travel agents are willing to rely more on air ticket consolidators due to their access to various air tickets from different airlines.

Entry Barriers

Relationships with airlines and travel agents. Air ticket consolidators with long-term cooperative relationships with different airlines are more likely to obtain air fares at competitive prices and ensure the sustainability and diversification of air ticket supplies. Air ticket consolidators also need to maintain good relationships with travel agents to distribute air tickets and stay profitable. New entrants may find it is difficult to build relationships with airlines and travel agents in a short time.

Track Record. Both airlines and travel agents are willing to cooperate with air ticket consolidators with excellent track records. Accreditations from authorized airline trade associations such as IATA and ARC also make huge difference as airlines and travel agents consider accredited air ticket consolidators more trustworthy. For example, only IATA accredited travel agents can be appointed by a member airline to issue air tickets. However, as IATA has established certain requirements for its accreditations, including but not limited to, license, financial security, staff qualification and document maintenance, it normally takes the new entrants significant time to obtain such accreditations due to their lack of the relevant track record to support their credibility.

Technological requirements. A powerful information technology system that can help process data accurately and quickly is essential for air ticket distribution. Air ticket consolidators can either develop their own information technology system or cooperate with reliable third-party technology suppliers. New entrants may find it is difficult to develop a reliable information technology system or find a good third-party technology supplier quickly.

Industry knowhow. Air ticket consolidators usually need to understand the uniqueness of the air ticketing industry and air ticket midstream industry, such as seasonality and after sales services, so that they can accommodate the needs of the travel agents. New entrants may lack the industry knowhow to readily respond.

Future Trends

Increasing technological applications. In the future, air ticket consolidators will pay more attention to technological development and make more use of technologies such as e-commerce and big data for business management.

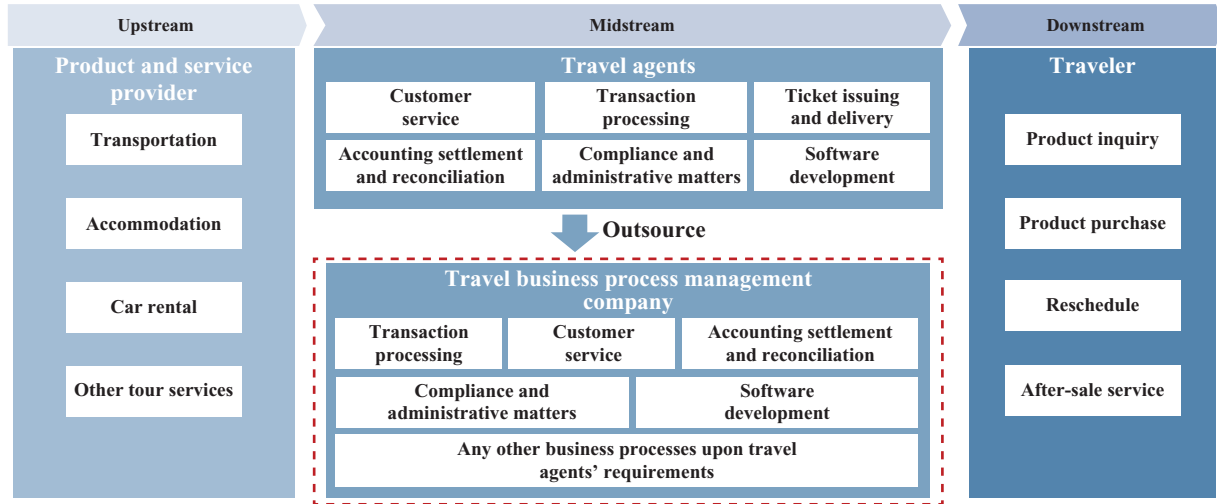
Market consolidation. Due to increasingly fierce competition within the airline industry, airlines tend to distinguish themselves from their competitors by cooperating only with reputable air ticket consolidators, such as those with IATA and/or ARC accreditations, to improve their distribution efficiency and build a better brand image. As a result, market consolidation is expected in the air ticket midstream market.

INDUSTRY OVERVIEW

TRAVEL BUSINESS PROCESS MANAGEMENT MARKET IN CANADA AND THE U.S.

Value Chain Analysis

The value chain of the travel business process management market can be illustrated by the following diagram:



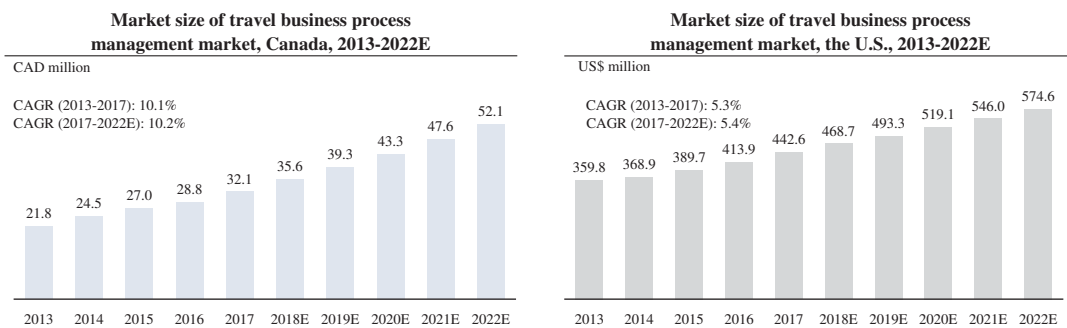
Source: CIC

Travel business process management providers are in the midstream of the travel industry, and provide various support and services to travel agents based on their particular needs and requirements. In providing their products and services to travelers, travel agents typically are involved in business processes categorized as front-office including sales of travel contents, website or travel shop presence, vendor solicitation including liaison with airlines for pricing and incentive commission, product design and advertising and marketing, mid-office including transaction processing and customer services, and back-office including accounting settlement and reconciliation, refunds, chargebacks, travel licensing and compliance and other administrative matters. Travel agents typically outsource mid- and back-office business processes to travel business process management providers to reduce costs and increase efficiency.

INDUSTRY OVERVIEW

Market Overview

Travel business process management market in Canada increased at a CAGR of 10.1% from CAD21.8 million in 2013 to CAD32.1 million in 2017 due to rapid development of online travel agents and travel startups, which are in need of the expertise and resources from travel business process management providers. It is expected that the growth momentum will continue with the size of Canada's travel business process management market reaching CAD52.1 million by 2022 with a CAGR of 10.2% from 2017. The travel business process management market in the U.S. increased at a CAGR of 5.3% from US\$359.8 million in 2013 to US\$442.6 million in 2017, and is expected to reach a market size of US\$574.6 million in 2022 with a CAGR of 5.4% from 2017. The following charts illustrate the historical and projected market size of travel business process management market in Canada and the U.S., respectively:



Source: CIC

Key Drivers

Prospect of the travel and tourism industry. With the rapid development of the travel and tourism industry in Canada and the U.S., an increasing number of travel agents were faced with a shortage of skilled manpower and chose to outsource some of their business processes to travel business process management providers to reduce their workload.

Rising complexity of the business of travel agents. Travel agents need to develop new line of businesses or provide additional services from time to time to remain competitive. To improve efficiency, more travel agents tended to outsource part of their business processes to travel business process management providers so that they can focus on their core strategy.

Emergence of online travel agents. With the penetration of technology in the travel and tourism industry, an increasing number of online travel agents have emerged, which usually rely heavily on travel business process management providers' expertise, resources and industry know-how due to their lack of competent employees to carry out the requested services.

Entry Barriers

Professional team. A professional team that has a thorough understanding of travel agents' business processes, such as reconciliation and utilization of travel technologies, is essential to a travel business process management providers' service quality and efficiency. New entrants may lack relevant experience and the network to recruit and train the professional personnel.

INDUSTRY OVERVIEW

Industry understanding. Travel business process management providers need to understand the varied requirements and business needs of the customers. New entrants who are unfamiliar with the travel and tourism industry may not be able to provide satisfactory travel business process management.

Track record. Travel agents tend to choose travel business process management providers with good reputation and excellent past performances. New entrants may lack the industry experience to attract potential customers.

Information technology infrastructure. Sophisticated information technology infrastructure is vital to assist travel business process management providers with transaction monitor and analysis as well as account management. New entrants may find it is time-consuming to build a reliable information technology system.

Future Trends

More flexible business processes. With the emergence of customized travel products and the changing expectations from travelers, travel business processes will become more complicated which requires more flexibility from the travel business process management providers.

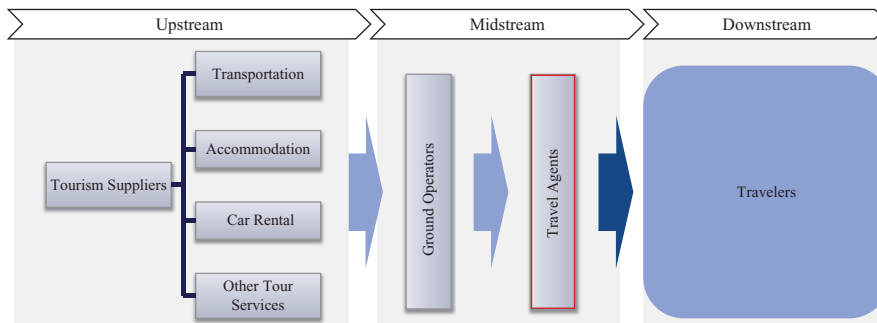
Increasing application of technology. With increasing business volumes and diversified business processes, travel business process management providers will need to employ additional technological tools such as advanced software and automation to effectively analyze data and improve the efficiency and accuracy of their services.

One-stop solution service. As the business models of travel agents become increasingly complicated, travel business process management providers are expected to provide industry insights, analytics and strategic advice to travel agents based on their industry experience.

TRAVEL PRODUCTS AND SERVICES MARKET IN CANADA

Value Chain Analysis

The value chain of the travel products and services market can be illustrated by the following diagram:



Source: CIC

Upstream: The upstream of the travel products and services market primarily consists of suppliers of transportation, accommodation, car rental and other tour services.

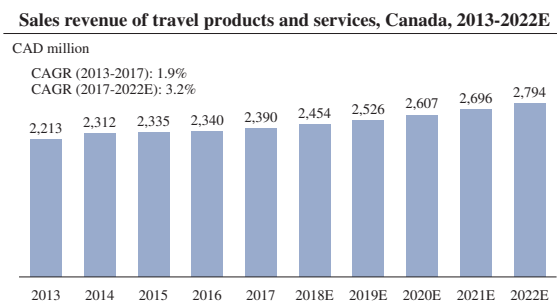
INDUSTRY OVERVIEW

Midstream: The midstream of the travel products and services market consists of ground operators and travel agents. Ground operators consolidate products and services from tourism suppliers and act as coordinators and organizers at the destinations. Travel agents select and customize travel products and services from tourism suppliers and cooperate with ground operators for sales and execution.

Downstream: Travelers, as the downstream of the travel products and services market, purchase travel products and services from travel agents.

Market Overview

According to the CIC Report, the total sales revenue of travel products and services in Canada grew at a CAGR of 1.9% from CAD2,213 million in 2013 to CAD2,390 million in 2017. The total sales revenue of travel products and services in Canada has maintained consistent growth over the past five years. The total sales revenue of travel products and services in Canada is expected to maintain a steady level of growth from 2017 to 2022, reaching CAD2,794 million in 2022 at a CAGR of 3.2% as a result of the increasing household expenditure on travel and evolving consumer behavior.



Source: CIC

Key Drivers

Technology and Internet access. Between 2013 and 2017, online sales of travel products and services in Canada increased rapidly at a CAGR of 8.6% from CAD549.0 million to CAD762.0 million, while sales of travel products and services in Canada through offline channels decreased at a CAGR of 0.6% during the same time period. Online sales of travel products and services in Canada are expected to continue to experience strong growth momentum. Total revenue of travel products and services sold online in Canada is expected to grow at a CAGR of 6.8% from 2017 to reach CAD1,059.0 million by 2022.

Evolving consumer behavior. Over the past five years, travelers have begun to travel to emerging destinations in Asia, South America and Africa. Travelers are inclined to rely on travel agents for the tour arrangement due to their limited understanding of the local language and culture.

Good holiday pattern. As people are more likely to travel during holidays, the holiday pattern in Canada, including over 10 nationwide statutory holidays and approximate two-week paid annual vacation for employees, is favorable to Canada's travel products and services market.

INDUSTRY OVERVIEW

Entry Barriers

Lengthy and complicated licensing process. Travel agents in Canada must hold licenses to carry out business as required by provincial regulations. For example, all travel agents and travel professionals in Ontario are regulated with TICO. In order to register as a travel agent with TICO, companies must satisfy certain requirements including but not limited to (i) the designated manager must have at least three years of experience in the travel industry; and (ii) our company name must be first registered with the Ministry of Government and Consumer Services. The complicated licensing steps prevent the fast entry of new players.

High capital requirement for a well-functioning information technology system. A self-operated and well-organized booking platform, which requires the recruitment of professional information technology personnel and effective maintenance of the system, is considered as one of the vital elements to compete in the market. Both the recruitment and maintenance require capital, which is considered as an entry barrier for a new player to survive in Canada's travel products and services market.

Professional and knowledgeable staff. In Canada, travel agents are required to obtain licenses before being employed according to relevant provincial regulations. Professional sales personnel who have abundant knowledge and thorough understanding of travel products and services and related issues might be less willing to join new market players. Thus, the recruitment of professional and knowledgeable staff is considered as an entry barrier to the travel products and services market.

Future Trends

Increasing popularity of customized travel products. Customized travel products are expected to continue to be increasingly popular in Canada, as they are designed to better accommodate to customers' special requirements and minimize the burden of the end-customers.

Higher weight of foreign travelers for package tours. Non-English speaking travelers are more likely to choose package tours due to language barriers and cultural differences. The fast growing number of trips to Canada from Asian countries, especially China, indicates that a greater proportion of inbound package tours in Canada will be serving Asian travelers. Travel agents are expected to offer more package tours with foreign language speaking tour guides.

Gradual transition to online sales channels. The intensified competition from online travel agents, airlines and accommodation booking websites makes it difficult for traditional offline travel agents to maintain a sustainable and rapid growth. As a result, a number of reputable travel agents are developing self-operated online booking platforms, which requires extensive investment in hiring professional information technology staff and information technology infrastructure.

COMPETITIVE LANDSCAPE

Canada's air ticket consolidation market is concentrated with the top three companies accounting for 82.8% of the market share in terms of sales volume in 2017, of which our Company had a market share of 31.3%. The other two major market participants are a travel agent which

INDUSTRY OVERVIEW

engages in air tickets distribution and travel products and services in both the wholesale and retail travel industry and an air ticket consolidator which engages in air ticket consolidation mainly for travel agents, both of which are IATA accredited. In terms of sales volume in 2017, our Company had a market share of 0.8% in the overall air ticketing market in Canada, and a market share of less than 0.1% of the overall air ticketing market in the U.S.

Canada's travel business process management market is fairly concentrated with the top three companies accounting for 33.3% of the market share in terms of service revenue in 2017, of which our Company had a revenue of CAD4.8 million and a market share of 14.9%. Other major market participants include two global travel management companies.

According to the CIC Report, the travel products and services industry is highly fragmented with thousands of travel agents operating within the travel and tourism industry in Canada in 2017. Top three branded travel products and services providers in Canada, which are all listed companies in the U.S., accounted for 40.4% of Canada's travel products and services market in terms of sales revenue in 2017. Out of which, Customer A, who is also a customer of our Group, accounted for the largest market share of 29.9% of Canada's travel products and services market in terms of sales revenue in 2017. Our Company had a market share of 0.2% in the same year.

REGULATORY OVERVIEW

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN CANADA

Travel and Tourism

Canada does not have a federal tourism act, or travel agent legislation. Certain activities including visa issuance, aeronautics and aviation and border clearance are governed federally. Laws and regulations for tourism activities and travel agents are made at the provincial and territorial level.

License Requirements

Travel agents must hold licenses to carry on their business. The specific license requirements are set out in each province's travel agent related legislation.

In British Columbia, the license requirements are set out in the Business Practices and Consumer Protection Act (British Columbia). Travel agents in British Columbia require a license from Consumer Protection BC. Such a license is required for each location in which the travel agency conducts business. The travel agent's license is renewed annually and includes payment of an annual fee.

In Ontario, the license requirements are set out in the Travel Industry Act (Ontario). Travel Industry Council of Ontario (Ontario) is the provincial travel regulator. A TICO registration is required for each location in which the travel agent conducts business. The travel agent's license is renewed annually and the travel agent pays an annual renewal fee for each registration held. The quantum of the renewal fees is based on the reported gross sales proceeds in Ontario during the preceding fiscal year.

In Québec, the requirements are set out in the Travel Agents Act (Québec). Office de la protection du consommateur (Québec) oversees the grant of licenses pursuant to the Travel Agents Act (Québec). An OPC registration is required for each location in which the travel agent conducts business. The travel agent's license is renewed annually and the travel agent pays an annual fee.

In Alberta, there are no travel specific regulatory registrations or licenses required in order to operate a travel agent.

Trust Funds

Travel agents must hold licenses to carry on their business and must deposit into a trust account monies received from customers for travel services and products purchased. The law restricts the use of these funds.

In Ontario, a travel agent must establish and maintain a trust account with a licensed financial institution. The travel agent must hold all money received from customers for travel services in such trust account. Money can only be disbursed from the trust account for limited purposes, including to make payments to the suppliers of travel services, to refund customers, or to pay the travel agent's commission after the suppliers of the travel services have been paid.

In British Columbia, a travel agent must establish and maintain a trust account with a savings institution in British Columbia. The travel agent must deposit all money that is received in the

REGULATORY OVERVIEW

course of business for travel services into the trust account. Money can only be disbursed from the trust account for limited purposes, including for services to be rendered, for expenditures on behalf of the customer, for reimbursement of expenditures, to refund a customer and to provide travel services.

In Québec, a travel agent must establish and maintain a trust account with a chartered bank or a financial institution authorized under the laws of Canada or Québec. The travel agent must hold all money received from customers for travel services in such trust account. Money can only be disbursed from the trust account for limited purposes, including for services to be rendered, for expenditures on behalf of the customer, for reimbursement of expenditures, to refund a customer and to provide travel services.

Compensation Funds

Some provinces, such as British Columbia, Ontario and Québec, have established specific travel assurance funds to compensate consumers who do not receive their travel services and to protect them against fraud.

In Ontario, travel agents are responsible for financing travelers' financial protection through the Ontario Travel Industry Compensation Fund. Travel agents registered in Ontario may draw directly on the compensation fund with a view to be reimbursed for disbursements made to customers in the event of end supplier failures. The maximum amount that may be reimbursed out of the compensation fund to a customer or travel agent for a failure to provide travel services is CAD5,000 for each person whose travel services were paid for by the customer. The maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or a major event is capped at CAD5.0 million.

In British Columbia, similar to Ontario, the compensation fund is made up of travel agent contributions. The maximum amount that may be paid from the British Columbia's Travel Assurance Fund to a claimant in respect of a claim is CAD5,000 for each person covered by the claim, subject to a CAD2.0 million cap for all claims relating to a single event. Under the British Columbia legislation, there is a contribution holiday, applicable to licensees when the book value of the Travel Assurance Fund is at least CAD2.0 million and the travel agent has paid the required contributions for successive semi-annual periods totaling three years.

Québec is the only province where the Compensation Fund for Customers of Travel Agents (the "**Québec Compensation Fund**") is made up of customers' contributions. On April 1, 2014, the rate of contribution to the Québec Compensation Fund was reduced from 0.20% to 0.10% of the total cost of travel services purchased. Customers are able to claim directly from the Québec Compensation Fund in the event of an end supplier failure that is not attributable to a travel agent. The total compensation per event may not exceed 20% of the surplus accumulated in the fund as of March 31 of the previous year nor be less than CAD5.0 million.

Advertised Price for Travel Services

The Air Transportation Regulations adopted by the Canadian Transportation Agency pursuant to the Canada Transportation Act require that the price of air services represented in any

REGULATORY OVERVIEW

advertisement be the total price, inclusive of all taxes, fees and surcharges. The advertisement must also include a description of the air services offered and the customer must have access to the breakdown of the components of the price paid (taxes, fees and charges paid to a third party) and the fees for any optional services available. The provisions do not apply to air cargo services, sale of air services to businesses or the sale of package travel services where air services are sold with other features such as accommodations, tours, cruises or car rentals.

Additionally, provinces such as British Columbia, Ontario and Québec have adopted provisions regarding advertised price for travel services. To date, none of Alberta and/or the other Canadian provinces have adopted similar provisions.

Ontario's legislation requires that any representation that refers to the price of travel services shall show in a clear, comprehensible and prominent manner the total amount to be paid for travel services, either including all fees, levies, service charges and surcharges or excluding them and, in the latter case, to provide either an itemized list of the cost for each fee, levy, service charge and surcharge, or the total cost the customer will be required to pay for fees, levies, service charges or surcharges. Ontario's legislation permits price increase if the contract between the travel agent and the customer permits them, provided the customer has not paid the price of the travel services in full. If the cumulative price increase is more than 7% of the total price of the travel services, excluding any increase resulting from an increase in retail sales tax or federal goods and services tax, then the travel agent must offer the customer the choice between a full and immediate refund of the amount paid and comparable alternate travel services acceptable to the customer.

In British Columbia, all activities related to advertising and marketing of travel services must identify that advertising and marketing are being conducted on behalf of the licensed travel agent. Advertising and marketing must use only the registered operational name, marketing, or business identity of the licensed travel agent.

In Québec, in regards to advertising, the provincial legislation promotes full disclosure to enable the customer to make informed decisions, namely to ensure that pricing information is not misleading and that the total price is provided at the actual time of purchase. However, travel agents may exclude from the total cost of the services advertised the Québec sales tax, Canada's goods and services tax and the dollar amount payable as a contribution to the Québec Compensation Fund. A travel agent that wishes to unilaterally change the price of the travel services must insert a clause to that effect in the contract. The clause shall state that (i) the price may only be increased following the imposition of a fuel surcharge by the carrier or an increase in the exchange rate, insofar as the exchange rate has increased by more than 5% since the date of the purchase and 45 days prior to departure; (ii) no price increase may occur within 30 days prior to the date of departure; and (iii) if such price increase is equal to or greater than 7% of the price of the travel services, excluding the Québec sales tax or Canada's goods and services tax, the customer may choose between a full and immediate refund or the provision of similar services.

Consumer Protection

Each of the Canadian provinces and territories have consumer protection laws governing transactions with consumers. The legislation applies, subject to specified exemptions, to a variety of consumer transactions and agreements including credit agreements, lease agreements and

REGULATORY OVERVIEW

internet agreements. Though there are often many similarities, consumer protection legislation is not harmonized in Canada. Provincial consumer protection legislation include The Fair Trading Act (Alberta); Business Practices and Consumer Protection Act (British Columbia); Consumer Protection Act (Ontario); and Consumer Protection Act (Québec).

The consumer protection legislation sets out a list of disclosure required to be made to a consumer, in writing, under particular agreements. Disclosure must be made prior to the consumer entering into the agreement. Unfair practices (also referred to as deceptive acts or practices) are prohibited under Canadian consumer protection legislation. A consumer has no legal obligation to pay for unsolicited goods or services. Some provinces refer to this practice as negative option marketing or billing, which is a circumstance where a consumer is billed for a good or service that has not been requested, but, as the consumer has not explicitly rejected it, it is assumed that the consumer has accepted the good or service. In some provinces, the consumer protection legislation deems certain minimum statutory warranties (under provincial legislation in respect of sales of goods) as implied in every sales transaction. Deemed warranties include an implied warranty or condition as to the quality or fitness of any particular purpose of goods supplied or a warranty that the good is durable and fit for its intended use.

Most offences are related to general contraventions of, or failure to comply with, the consumer protection legislation.

Privacy and Personal Information

Canadian businesses, including tour operators, are subject to federal or provincial privacy protection legislation governing both customer and (with some exceptions) employee information. The federal Personal Information Protection and Electronic Documents Act (the “**PIPEDA**”) applies to the commercial activities of all private sector organizations in Canada, except in provinces that have enacted “substantially similar” legislation.

Alberta, British Columbia and Québec all have private-sector legislation which has been declared to be “substantially similar” and will apply to private-sector businesses that collect, use and disclose personal information while carrying on business within those provinces. Alberta has the Personal Information Protection Act, British Columbia has the Personal Information Protection Act and Québec has the An Act Respecting the Protection of Personal Information in the Private Sector. Unlike PIPEDA, the privacy legislation in Alberta, British Columbia and Québec does apply to employee information of provincially-regulated employers.

PIPEDA governs the collection, use and disclosure of personal information in the course of commercial activities by a federally-regulated business. In addition, PIPEDA regulates the handling of employee personal information by federally-regulated employers. With certain exceptions, PIPEDA also applies to the collection, use or disclosure of personal information across provincial or Canadian international borders and within provinces without substantially similar private sector privacy legislation. PIPEDA requires informed implicit or explicit consent, as the case may be, by the individuals whose personal information is collected, used and/or disclosed. The personal information may then only be used and disclosed for the purposes for which it was originally collected or for other purposes specified in, or allowed by, PIPEDA. PIPEDA has been amended to provide for data breach notification and record keeping requirements, however, although these amendments have passed they have not yet come into force.

REGULATORY OVERVIEW

PIPEDA requires compliance with the “fair information management principles” of the Model Code for the Protection of Personal Information (the “**Model Code**”) developed by the Canadian Standards Association. The Model Code requires organizations to notify individuals of the purposes of, and obtain their consent for, the collection, use or disclosure of their personal information (PIPEDA sets out limited exceptions to this notice and consent requirement) and to have reasonable and appropriate purposes for their collection, use or disclosure of personal information. Organizations also are required to limit the amount of personal information that the organization collects, uses, discloses or retains to that necessary for the purpose for which it was collected; are prohibited from tying the provision of goods or services to consent by individuals to a collateral collection, use or disclosure of personal information; and must meet standards for accuracy and the security of the personal information they hold. In addition, organizations must implement a privacy policy and appoint a privacy officer who will be responsible for representing the organization in privacy matters, provide individuals with access to their personal information (with limited exceptions) and correct inaccurate information at the request of individuals. Provincial privacy statutes in Alberta, British Columbia and Québec contain requirements and exceptions similar to PIPEDA.

The OPC oversees PIPEDA. The OPC may audit the privacy practices of organizations suspected of a breach of PIPEDA, and may receive and investigate complaints of non-compliance. Provincial privacy laws are enforced by provincial Information and Privacy Commissioners (the “**IPCs**”) or Ombudsmen, who can investigate complaints and issue binding orders requiring compliance. In addition, individuals have a private right of action for privacy breaches in Alberta, British Columbia and Québec.

Additionally, Alberta’s Personal Information Protection Act requires that businesses notify the Alberta IPC if there is a breach of personal information and empowers the IPC to order organizations to notify individuals of such data breaches, in both cases where the data breach represents a “real risk of significant harm” to individuals.

Electronic Messages and Software Updates

Canada’s Anti-Spam Law contains restrictions on sending commercial electronic messages (including e-mail, text and instant messages), altering transmission data, and installing computer programs without express opt-in consent (subject to certain narrow exceptions). As well, it sets out prescriptive rules governing, among other things, unsubscribe mechanisms, sender identity and contact information.

Anti-Bribery

The Corruption of Foreign Public Officials Act (Canada) (the “**CFPOA**”) prohibits giving or offering to give a benefit of any kind to a foreign public official, or any other person for the benefit of the foreign public official, where the ultimate purpose is to obtain or retain a business advantage. It is applicable both to individuals and corporations, whether acting directly or through an agent or third party. Violation of the CFPOA is a punishable offense, in the case of an individual, by imprisonment for up to five years. A company can receive an unlimited fine for failing to prevent bribery.

REGULATORY OVERVIEW

Employment and Labor

Legislative jurisdiction over labor and employment is divided between the Canadian provincial and federal governments, with each distinct in its own sphere. Most businesses fall under provincial jurisdiction, with the federal government having jurisdiction over certain limited specific federal works and undertakings. Labor and employment law at both the provincial or federal levels are also governed by the common law in Canada and, in the case of Québec, which is a civil law jurisdiction, the common law as codified in the Civil Code of Québec.

Under the applicable employment standards legislation, employees are guaranteed certain rights with respect to the terms and conditions of their employment such as minimum wages, hours of work, overtime pay, rest periods, vacation pay, statutory holidays, minimum periods of notice of termination and/or severance pay. Applicable provincial labor laws also recognize the right of employees to unionize, but do not impose a union on employers. Further, both federally regulated and provincially regulated employers in Canada are statutorily required to: (a) provide equal treatment in employment without discrimination on the basis of certain prohibited grounds of discrimination; (b) contribute premiums to a government-sponsored insurance fund to compensate workers that are injured due to occupational illness or injury; (c) provide a safe and healthy work environment for all employees; (d) ensure that there is equal pay for work of equal value between male-dominated and female-dominated jobs under Québec and Ontario's pay equity legislation; and (e) deduct a percentage of an employee's earnings and remit that amount to the government together with an equal amount contributed by the employer on account of Canada Pension Plan and Québec Pension Plan, as applicable.

Intellectual Property

Canada has a federal regime for intellectual property law, comprised of the Copyright Act (Canada), the Trade-marks Act (Canada) (the "TMA"), and the Patent Act (Canada). With respect to trade-mark rights, they are held pursuant to the TMA. Trade-mark licenses are held pursuant to contract and are addressed in the TMA. Under the TMA, a licensee has the right to exclusive use of the trade-mark pursuant to the terms of the license, and all rights that would be had by the owner of the trade-mark. Currently, a trademark registration lasts for fifteen years, and may be renewed for further fifteen-year periods upon payment of a fee. However, legislation has been passed (but is not yet in force) which would reduce both the initial term and any renewal terms to ten years.

Tax

The ITA and its regulations create the regime for both corporate and personal federal income taxation in Canada, while each province has its own corresponding income tax legislation. In addition, corporations may be subject to other taxes, including sales and commodity taxes. Corporations are required to file annual income tax returns and are subject to certain additional reporting requirements under the ITA and other relevant tax legislation. The ITA imposes income tax for each taxation year on the taxable worldwide income of every corporation resident in Canada. In contrast, corporations not resident in Canada are generally taxed only on income derived from Canadian sources.

REGULATORY OVERVIEW

Under the ITA, a corporation's income from a business for a year is generally the corporation's business profits for the taxation year, computed on an accrual basis in accordance with relevant accounting and ordinary commercial principles, and subject to specific adjustments, rules, and limitations under the ITA. Deductions from income are generally only permitted for expenses or outlays that are made or incurred for the purpose of earning income from the business, and are in an amount that is reasonable in the circumstances. Capital expenses are generally not directly deductible, but can often be amortized under special depreciation rules.

As described in the section headed "Certain Canadian Legal and Regulatory Considerations in Relation to the Share Offer — Certain Canadian Federal Income Tax Considerations" in this prospectus, so long as the "mind and management" of our Company remains in Canada, our Company remains a resident of Canada for purposes of the ITA notwithstanding its continuance under the laws of the Cayman Islands, and therefore remains taxable under the ITA on its worldwide income, in general terms in the same manner as a Canadian corporation. The same considerations apply to our Company's subsidiary, BVTEHU, so long as its "mind and management" also remain in Canada.

Please refer to the section headed "Certain Canadian Legal and Regulatory Considerations in Relation to the Share Offer — Certain Canadian Federal Income Tax Considerations" in this prospectus for details.

REGULATORY OVERVIEW

OVERVIEW OF THE RELEVANT LAWS AND REGULATIONS IN THE U.S.

Travel and Tourism

Federal Laws and Regulations

Registration Requirements

There are no federal permits or licenses that a company must obtain to perform its role as an air ticket consolidator. Additionally, and in harmony with the deregulation of the sale of airline tickets, travel agent activities are not subject to federal license requirements.

Full Fare Advertising Rule

While the Airline Deregulation Act largely preempts any federal regulation over air travel and sales, the federal government has retained jurisdiction over the consumer transportation aspect of air travel sales, insuring that customers are truly getting what they pay for.

Commonly referred to as the “Full Fare Advertising Rule”, 49 U.S. Code §41712 allows the Secretary of Transportation to investigate and decide whether an air carrier, foreign air carrier, or ticket agency has been or is engaged in an unfair method of competition in air transportation or the sale of air transportation. While the statutory scope of the Secretary’s ability to deem something unfair competition is relatively broad, the statute, along with the accompanying regulations, provides numerous specific acts which are clearly deemed to be unfair or deceptive practices.

49 U.S. Code §41712(b) states that it shall be an unfair or deceptive practices for any air carrier, foreign air carrier, or ticket agency utilizing electronically transmitted tickets for air transportation to fail to notify the purchaser of such ticket of its expiration date.

Additionally, 49 U.S. Code §41712(c) provides that it shall be an unfair or deceptive practice for any ticket agency, air carrier, foreign air carrier, or other person offering to sell tickets for air transportation to fail to disclose, whether verbally in oral communication or in writing in written or electronic communication, prior to the purchase of the ticket: (1) the name of the air carrier providing the air transportation; and (2) if the flight has more than one flight segment, the name of each air carrier providing the air transportation for each such flight segment. In the case of an offer to sell tickets on the internet, the information required by this section shall be provided on the first display of the website following a search of a requested itinerary in a format that is easily visible to a viewer. The broad scope of this statute makes this disclosure requirement applicable to Tour East New York’s business operations.

14 CFR §399.84 sets forth additional acts which are deemed to be a violation of §41712. Section 399.84(a) states that the Department of Transportation shall consider any advertisement or solicitation by any air carrier, agency of an air carrier, or ticket agency unfair and deceptive practice if such advertisement fails to state the total price to be paid for air transportation. Although separate charges included within the total price may be stated separately through links or pop ups which display the total price, such separate charges may not be false or misleading, may not be displayed prominently, may not be presented in the same or larger sizes as the total price, and must provide cost information on a per passenger basis that accurately reflects the cost of the item covered by the charge.

REGULATORY OVERVIEW

In the event that any provision of air transportation requires the purchase of a round trip ticket, Section 399.84(b) states that the Department of Transportation considers any advertisements to be unfair unless airfare is advertised as “each way” and in such a manner so the disclosure of a round trip purchase requirement is clearly and conspicuously noted in the advertisement and is stated prominently and proximately to the each-way fare amount. The Department of Transportation also considers it to be unfair and deceptive practice to advertise each-way fares contingent on a round-trip purchase requirement as “one-way” fares, even if accompanied by prominent and proximate disclosure of the round trip purchase requirement.

Section 399.84(c) additionally adds that when selling air transportation or tour services, an air carrier, agent, or ticket agent, may not offer additional services which are automatically added to the customer’s purchase if the customer takes no action; i.e. the customer does not opt out. The customer must affirmatively “opt in” to such service and the fee for it before the fee is added to the purchase.

State Laws

New York does not require that those providing travel services register with the state. Although registration is not required, New York does regulate sales of travel, mostly in the form of certain disclosures and refund obligations. New York’s Truth in Travel Act (the “Act”) sets forth certain obligations of travel consultants and travel promoters.

The Act defines a “travel consultant” as any person, firm, corporation, partnership or association, other than a common carrier or employee of a common carrier, who as a principal or agent, sells or offers for sale any travel tickets or orders for transportation, or negotiates for or holds himself out by solicitation, advertisement or otherwise as one who sells, provides, furnishes contracts or arrangements for such travel tickets or orders transportation.

Additionally, the Act defines “travel promoter” as any person, firm, corporation, partnership or association, other than a common carrier or employee of a common carrier, who is primarily engaged in direct solicitation of persons, by mail or telephone, for the sale of any travel or vacation investments, goods, products or services, including, but not limited to travel or tour benefits. The Act does not define the term “persons”, therefore making it unclear if the solicitation of entities would also trigger the classification as a travel promoter. It is unclear if Tour East New York would be classified as a travel promoter.

Section 157-a of the Act sets forth certain written disclosures which must be made when a person agrees, in response to a solicitation by a travel promoter which is directed to the person individually, to enter into travel services contract. The specifics of which disclosures must be made are set forth in the statute. Additionally, after the receipt of such disclosures, the purchaser must be given the option to cancel such agreement until midnight of the third business day after the disclosure is received by the purchaser. Such option to cancel must also be disclosed to the purchaser in the written disclosures.

Sections 158 and 158-a of the Act set forth prohibited practices by travel consultants and travel promoters. In sum, all of the prohibitions prevent travel consultants or travel promoters from knowingly misrepresenting facts about the travel services they are promoting.

REGULATORY OVERVIEW

Enforcement of the provisions of the Act may be brought about by an action filed by either an individual, a district attorney, or the attorney general. Pursuant to Section 157-a(6) an individual may file suit against a travel promoter for violation of Section 157-a or 158-a. When such an individual is successful in their action, Section 157-a(6) authorizes the court to award the purchaser and attorney's fees and costs in addition to any other remedy which may otherwise be available.

In addition to an individual's right to bring an action under Section 157-a(6), pursuant to Section 159(3) of the Act, the district attorney of any court may bring an action to restrain or prevent any violation of the Act. Additionally, when there has been a violation of section 157(a), 158 or 158-a, the attorney general may bring an action seeking to enjoin and restrain any further violation of the Act. In proceedings brought by the attorney general where the court determines that a violation of the Act has occurred, the court may issue a civil penalty of not more than US\$500 for each violation. Section 159(a) and (b) also provides that in addition to the civil penalties, any travel consultant or travel promoter found to have violated Section 158 or 158-a of the Act shall also be guilty of a misdemeanor.

Data privacy laws, data security laws and breach notification laws

The U.S. does not have a single law that governs data privacy and data security. A body of related data privacy and data security laws that consist of federal laws, state laws, and federal and state regulations governs in this area. Related to data privacy laws and data security laws, state breach notification laws, which can be substantially different depending on the state, require entities that suffered a data breach to notify affected customers.

Data Privacy

Data privacy laws generally govern how data is collected and shared (e.g., customers must be on notice of an entity's collection of sensitive information such as location data). Often data privacy laws are sector specific (e.g., healthcare industry privacy laws). Industries that do not have sector-specific law generally govern by self-regulation and enforcement. Therefore, the relevant authority does not proscribe data privacy rules. Instead, the authority merely issues data privacy "best practices." The authority may initiate enforcement proceedings against entities that, in the authority's view, fall short of adequately protecting privacy. Privacy violations can result, for example, by failing to follow a posted privacy policy that contains data privacy representations related to Fair Information Practice Principles such as notice, consent, or control (e.g., the ability to update false information or opt out of third party data sharing).

Data Security

Data security laws generally govern how data should be safeguarded to prevent unauthorized access to or use of customer data. Similar to data privacy laws, data security laws are often sector-specific. Industries that do not have sector-specific laws generally govern by self-regulation and enforcement. Again, the relevant authority does not proscribe data security standards, but instead merely publishes data security "best practices." The authority may initiate enforcement proceedings against entities that, relative to other entities in similar industries, failed to implement reasonable data security – the standards develop based on the market's adoption of security

REGULATORY OVERVIEW

practices and changes in technology. Data security violations can result, for example, by failing to honor security representations related to data, or failing to implement widely-adopted security procedures such as encrypting customer's passwords or imposing password-strengthening rules.

Breach Notification Laws

Breach notification laws have been enacted in 48 states, including New York, and other U.S. territories and require entities to notify individuals of security breaches of information involving personally identifiable information. These breach notification laws govern how entities that suffer a data breach should respond.

Employment Laws

Federal Laws

Payment of Wages and Benefits

The Fair Labor Standards Act is the nation's main wage law. It sets the federal minimum wage (many states have higher minimums) and requires time-and-a-half overtime pay for hourly employees who work more than 40 hours in a workweek. The Equal Pay Act states employers cannot pay female employees less than male employees for equal work on jobs that require equal skill, effort and responsibility.

Pursuant to the Federal Income Tax Withholding laws under the tax code, employers must withhold and pay the federal government a set percentage of employee wages for the federal government. Under the Federal Insurance Contribution Act, employers must withhold and pay the federal government a set percentage of employee wages for Social Security and Medicare.

City and State Laws

Payment of Wages and Benefits

Article 6 of the New York Labor Law is the primary source of wage and hour laws. It sets the state minimum wage and requires time-and-a-half overtime pay for hourly employees who work more than 40 hours in a workweek. Effective December 31 2016, the minimum wage is USD9.70 per hour, except in New York City, where it increased to USD11.00 (unless the employer has 10 or fewer employees, in which case the minimum wage is USD10.50 per hour).

At-will Employment

New York is an at-will employment state. Employers may terminate an employee at any time, with or without cause, unless the term of employment is defined by contract and/or agreement.

However, New York employers must provide written notice to discharged employees stating the date of termination and the date that employee benefits, such as health and accident insurance, will be canceled. This notice must be given to the employee no later than five working days after the discharge. Failure to notify an employee of cancelation of accident or health insurance subjects the employer to a penalty.

REGULATORY OVERVIEW

Intellectual Property Laws

Intellectual property laws in the U.S. provide protection in the form of patents, trademarks, copyrights, and trade secrets and other tangible or intangible personal or property rights of third parties.

Trade Secrets

If we obtain trade secrets belonging to our U.S. customers and other business entities during the normal course of business and will have obligations to maintain the confidentiality of those trade secrets.

Copyrights

U.S. copyright law governs original works of authorship (including software, websites, designs, publications and other literary and visual works). These laws are directly applicable to software development, websites, and written and illustrative publications. If our websites, software or published materials contain contents created by other parties, although the other party may be the person primarily responsible for violation of copyright laws, we still have some exposure. We are the party primarily responsible for the contents that we create.

Trademarks and Trade Dress

U.S. trademark law governs names, symbols, slogans, designs or a combination of these items used to identify goods or services and to distinguish them from those manufacture, sold or serviced by others. Trade dress generally relates to the distinctive packaging or design of a product that promotes the product and distinguishes it from other products in the marketplace.

Tax

For Federal income tax purposes, Tour East New York is treated as a C corporation. A C corporation's taxable income is subject to two levels of tax. First, an entity-level tax is imposed on the corporation's taxable income at graduated marginal federal tax rates up to 35%. If a C corporation makes dividend distributions to its shareholders, shareholders pay tax on those distributions. As a general rule, U.S. source dividends paid to a non-U.S. individual or a non-U.S. corporation are subject to a 30% withholding tax. Tour East New York is held by Canadian entities and residents. As such, the withholding rate may be reduced in accordance with the U.S. Income Tax Treaty with Canada.

Under New York state law, as a New York corporation, Tour East New York is required to file Form CT-3, General Business Corporation Franchise Tax Return, on or before April 15 after the close of its taxable year. Since Tour East New York is located in the Metropolitan Commuter Transportation District, it is subject to the metropolitan transportation business tax surcharge. In addition, Tour East New York must file a New York City tax return on an annual basis.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HISTORY AND BUSINESS DEVELOPMENT

Our Company was incorporated under the laws of the province of Ontario, Canada on August 18, 2017, and registered by way of continuation in the Cayman Islands on October 20, 2017. Since our inception, our Company has been an investment holding company with no business operation. Pursuant to the Reorganization, as more particularly described in the paragraph headed “Reorganization” in this section, our Company became the holding company of our Group for the purpose of the Listing.

Our history can be traced back to 1976 when our executive Director and Controlling Shareholder Mrs. Tsang, a then college student, together with two of her family members, commenced air ticket distribution business by selling low-cost air tickets to fellow students seeking to travel home to Asia. In 1978, we began to provide package tours to Asia in Canada. In 1980, we opened our New York office to conduct air ticket distribution business in the United States. In 1983, Ms. Tsu joined our Group and expanded our Group’s business. We started to develop our wholesale and retail network in the 1980s, and as of the Latest Practicable Date, we had a total of four regional offices as well as five retail branches in Canada and the United States. To better support our daily operations, we have been building our in-house information technology infrastructure since 1999, comprising computer hardwares, operating systems, enterprise software application, data management and storage, networking and telecommunication platforms, and system integration services. We began to provide travel business process management in 2007 after we successfully entered into a service agreement in respect of travel business process management with one of the world’s top travel agents. Under the leadership of Mrs. Tsang and Ms. Tsu, we have grown from being a retail air ticket reseller to an established and diversified company providing comprehensive travel products and services including air ticket distribution, travel business process management and travel products and services in Canada and the United States.

Between 2007 to 2011, we had undertaken tour and travel related business in China through a group of companies (the “**PRC businesses**”), including Beijing Tour East International Travel Co. Ltd.* (北京加東國際旅行社有限公司) (“**BJ TE**”) and Tour East Ecommerce (Shanghai) Co. Ltd.* (加東電子商務(上海)有限公司) (“**SH TE**”). To the best knowledge of our Directors, the PRC businesses are primarily engaged in China inbound tours. The PRC businesses were then reorganized to be held by 1372979 Ontario Inc. (“**1372979 Ontario**”) in 2011 through the investment holding companies of Mrs. Tsang, Ms. Tsu and Dr. Chu as to 35, 50 and 15 common shares respectively and Tour East Canada held 5,000 non-voting special shares. On January 1, 2017, 1372979 Ontario, together with its entire businesses in the PRC held by it, was disposed of to a senior management of Beijing Dynasty International Travel Co. Ltd* (北京漢唐經典國際商務旅行社有限公司) (“**Beijing Dynasty**”), an Independent Third Party (the “**Disposal**”), at consideration of (i) CAD100 for the 100 common shares reflective of the accumulated deficit position of 1372979 Ontario and its subsidiaries; (ii) CAD1 for the 5,000 special shares; and (iii) approximately CAD2.7 million for the shareholders’ loan and advances relating to 1372979 Ontario. Beijing Dynasty was a related party of our Group prior to the Disposal. The Disposal was mainly due to (i) the desire of Mrs. Tsang, Ms. Tsu and Dr. Chu 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

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

accumulated deficit position of 1372979 Ontario and its subsidiaries. After the Disposal, our Group continued to procure mid-office and back-office support services from Beijing Dynasty and occasionally procured travel products and services from Beijing Dynasty, and it would also procure travel products and services from us when necessary. Please refer to section headed “Financial Information — Related Parties, Related Party Transactions and Balances” in this prospectus for details.

During the years ended December 31, 2015 and 2016, as confirmed by Ms. Tsu, Beijing Dynasty had obtained a valid licence for its operation and had been granted “AAAAA Travel Service” by the Beijing Municipal Committee on Grading Assessment of Travel Services based on municipal standard of grading and Assessment of Travel Services. Ms. Tsu confirmed that, other than litigation in relation to the labour matter which involved an insignificant amount of employee benefit compensation from Beijing Dynasty which was settled in February 2014, there were no investigation, claims, penalties or cancellation of licences in respect of various matter such as administration, operation, licensing, taxation, labour and welfare matters and foreign exchanges, and Ms. Tsu is not aware of any non-compliance matters relating to 1372979 Ontario, Beijing Dynasty, Beijing Dynasty MICE, SH TE and BJ TE in any material respects.

OUR BUSINESS DEVELOPMENT AND MILESTONES

We set forth below our key business development and milestones:

| <u>Year</u> | <u>Key milestone</u> |
|-------------|--|
| 1976 | Our founders commenced air ticket distribution business by selling low-cost air tickets to college students seeking to travel home to Asia |
| 1977 | We became an IATA accredited travel agent |
| 1978 | We began to offer package tours to Asia in Canada |
| 1980 | Tour East New York was established |
| 1981 | We became an ARC accredited travel agent |
| 1999 | Tour East Canada was amalgamated to streamline business operations |
| 2003 | We expanded and relocated our headquarters in Canada We set up the first regional office in Toronto, Canada |
| 2003 | We started to distribute air tickets to one of the world’s top travel agents |
| 2007 | We launched the provision of travel business process management |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT

As of the Latest Practicable Date, our Group had incorporated operating subsidiaries in Canada and the United States to carry out our business. Major corporate development of our principal operating subsidiaries are set out below:

Tour East Canada

The earliest predecessor of Tour East Canada, namely East Asian Travel Incorporated, was incorporated on May 2, 1976 in Ontario, Canada. In order to streamline our business operations, Tour East Canada was amalgamated on January 1, 1999 following a series of amalgamation on January 1, 1987, January 1, 1995, September 1, 1997 and January 1, 1999, respectively.

The following table sets forth the share ownership of Tour East Canada as of the date of its amalgamation on January 1, 1999:

| <u>Name of Shareholder</u> | <u>Number and Class of Shares ⁽¹⁾</u> |
|----------------------------------|--|
| CCC Family Trust | 40 common shares |
| Dr. Chu (in trust for Ms. Tsu) | 12 common shares |
| Dr. Chu | 20 common shares |
| The 1994 Rita Tsang Family Trust | 80 common shares |
| Mrs. Tsang | 150 Class A special shares 816 Class B special shares 775 Class C special shares |
| Ms. Tsu | 48 common shares |
| Ms. Min Tsu ⁽²⁾ | 100 Class A special shares 204 Class B special shares |

Notes:

(1) Only the common shares of Tour East Canada have voting rights.

(2) Ms. Min Tsu is the mother of Mrs. Tsang, Ms. Tsu and Dr. Chu.

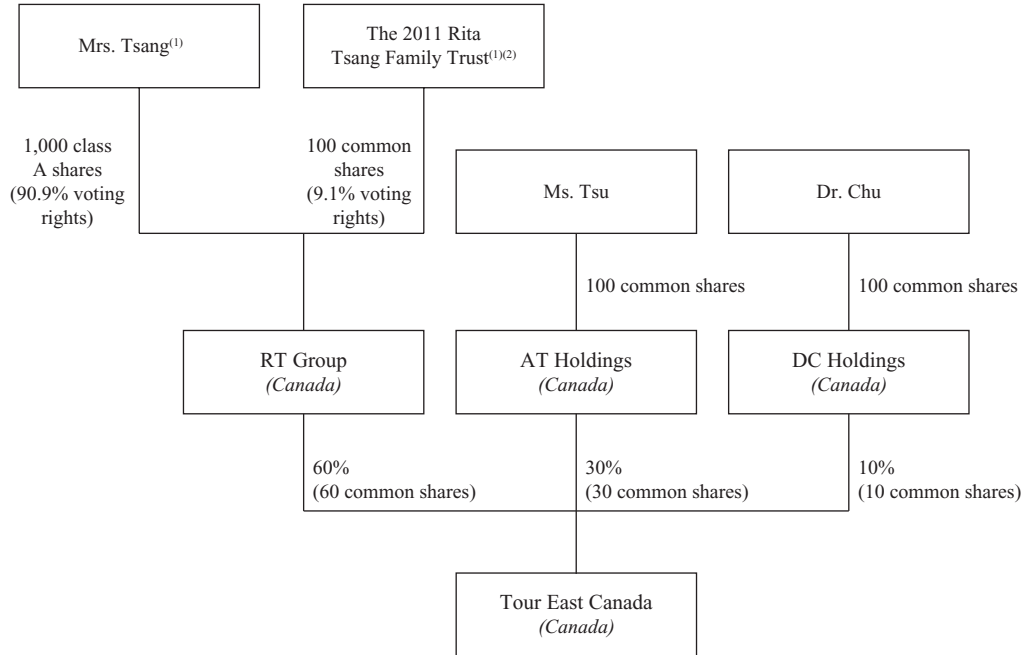
On September 1, 2011, CCC Family Trust transferred its 40 common shares to Mrs. Tsang in satisfaction of her capital interest in the CCC Family Trust, and Dr. Chu transferred the 12 common shares held in trust for Ms. Tsu to Ms. Tsu. On the same date, in satisfaction of their respective capital interest in The 1994 Rita Tsang Family Trust, The 1994 Rita Tsang Family Trust transferred its 80 common shares in equal portion to each of Ms. Camille Tsang and Ms. Claudia Tsang, respectively, both being daughter of Mrs. Tsang, who then transferred their respective 40 common shares to CC Connect Holdings Inc. (“**CC Connect**”). In consideration, CC Connect issued and allotted 50 common shares to each of Ms. Camille Tsang and Ms. Claudia Tsang, respectively.

On September 1, 2011, RT Group, AT Holdings and DC Holdings subscribed for 60, 30 and 10 common shares of Tour East Canada, respectively, at the price of CAD1.0 per common share which was determined with reference to the nominal price of CAD1.0 per share.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Subsequent to a series of transfers and redemptions of common shares and preference shares, the following charts set forth the shareholding structure of Tour East Canada immediately prior to the Reorganization:

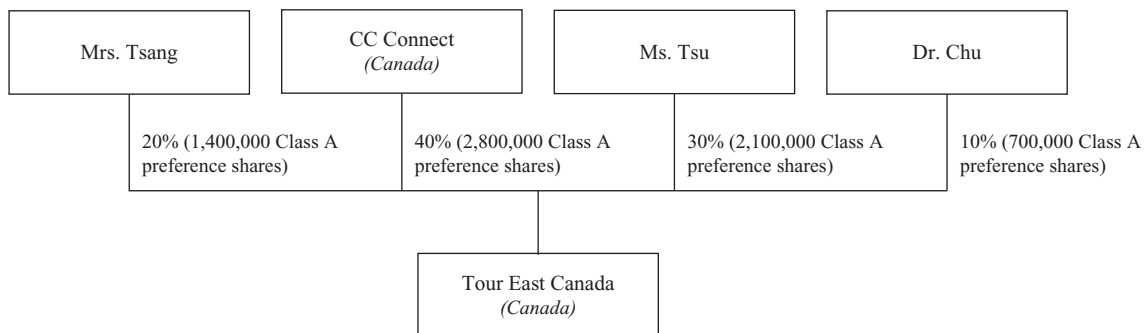
For common shares (voting)



Notes:

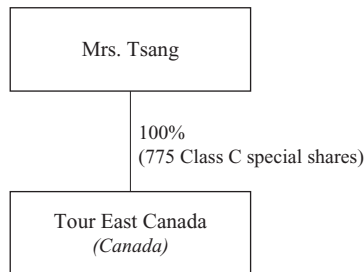
- (1) Both the common shares and class A shares of RT Group carry equal voting rights.
- (2) The 2011 Rita Tsang Family Trust (i) was set up to enjoy the economic benefits as a passive investor of RT Group; (ii) is operated by the trustees who have power and authority in their absolute and uncontrolled discretion, among whom Ms. Claudia Leung and Mr. William Yee are both Independent Third Parties; and (iii) has not entered into any acting in concert agreement with Mrs. Tsang and is not accustomed to taking any instructions from Mrs. Tsang in relation to the dealings of securities.

For Class A preference shares (non-voting)



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

For Class C special shares (non-voting)



Our Canadian legal advisors confirmed that the above transfers of the shares in Tour East Canada has been properly completed and settled in accordance with applicable law and practice.

As part of the Reorganization, Tour East Canada became an indirect wholly-owned subsidiary of our Company pursuant to the Reorganization. For further details, please refer to the paragraph headed “Reorganization” in this section. Tour East Canada is principally engaged in air ticket distribution, travel business process management and provision of travel products and services in Canada.

Tour East New York

Tour East New York was incorporated under the laws of the state of New York, the United States on November 25, 1980 with an authorized share capital of 200 common shares with no par value, which were wholly-owned by Mrs. Tsang.

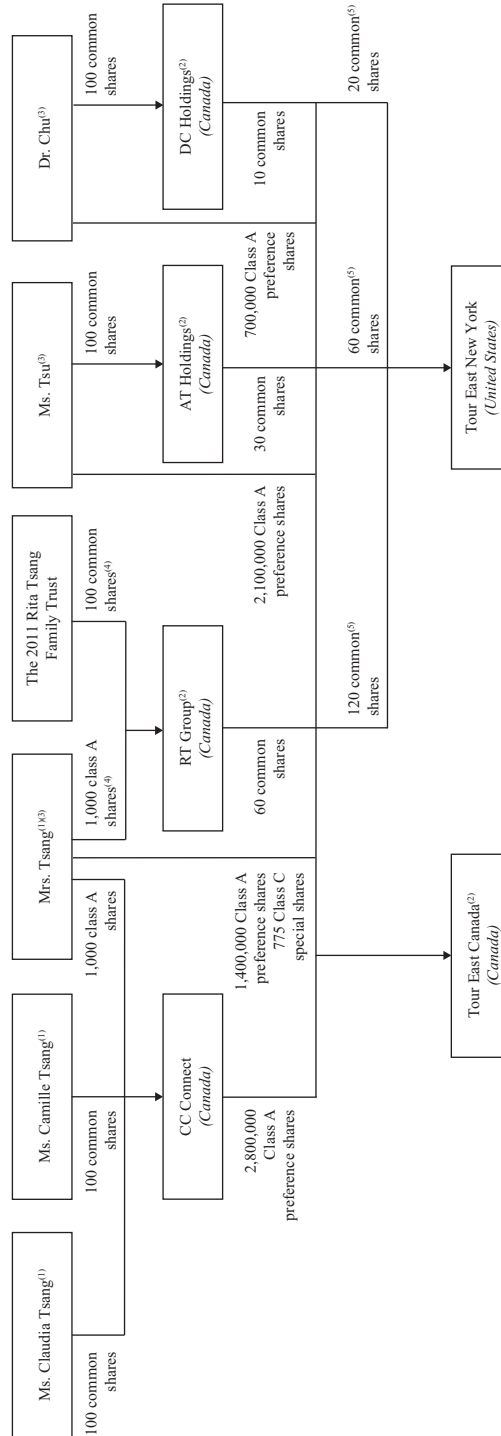
On December 21, 2015, DC Holdings, AT Holdings and RT Group acquired 20, 60 and 120 common shares, respectively, from Mrs. Tsang at a consideration of US\$3,000, US\$9,000 and US\$18,000, respectively, based on the then paid-up capital of Tour East New York, with reference to the investment cost, which have been fully settled on the same date. Following the above share transfers, Tour East New York was owned as to 10% by DC Holdings, 30% by AT Holdings and 60% by RT Group, respectively.

As part of the Reorganization, Tour East New York became an indirect wholly-owned subsidiary of our Company pursuant to the Reorganization. For further details, please refer to the paragraph headed “Reorganization” in this section. The principal activities of Tour East New York is the distribution of air ticket in the United States.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

The following chart sets forth our corporate and shareholding structure immediately prior to the Reorganization:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) Ms. Claudia Tsang and Ms. Camille Tsang are daughters of Mrs. Tsang.*
- (2) Only the common shares of Tour East Canada have voting rights.*
- (3) Mrs. Tsang, Ms. Tsu and Dr. Chu are siblings.*
- (4) Both the common shares and class A shares of RT Group carry equal voting rights.*
- (5) These shares represent all issued share capital of Tour East New York.*

Transfer of Class A Preference Shares and redemption of Class C Special Shares of Tour East Canada

On September 27, 2017, RT Group filed articles of amendment to create 4,200,000 new Class X preference shares carrying the same attributes as the Class A preference shares of Tour East Canada.

On October 9, 2017, CC Connect transferred 2,800,000 Class A preference shares of Tour East Canada to RT Group at fair market value. The consideration was settled by RT Group issuing and allotting 2,800,000 Class X preference shares to CC Connect on the same date.

On October 9, 2017, Tour East Canada redeemed 775 Class C special shares held by Mrs. Tsang, which resulted in a deemed dividend of CAD77.5 and was fully paid in cash on the same date.

On October 9, 2017, Mrs. Tsang transferred her 1,400,000 Class A preference shares of Tour East Canada to RT Group at fair market value. The consideration was settled by RT Group issuing and allotting 1,400,000 Class X preference shares to Mrs. Tsang on the same date.

On October 9, 2017, Ms. Tsu transferred her 2,100,000 Class A preference shares of Tour East Canada to AT Holdings at fair market value. The consideration was settled by AT Holdings issuing and allotting 100 common shares to Ms. Tsu on the same date.

On October 9, 2017, Dr. Chu transferred his 700,000 Class A preference shares of Tour East Canada to DC Holdings at fair market value. The consideration was settled by DC Holdings issuing and allotting 100 common shares to Dr. Chu on the same date.

Incorporation of our Company and offshore companies

Our Company

On August 18, 2017, our Company was incorporated under the laws of the province of Ontario, Canada as a limited liability company with an authorized share capital of an unlimited number of common shares. One Share was issued and allotted to RT Group on the same date and upon completion of such issue and allotment, our Company became wholly-owned by RT Group.

BVTEHC

On August 1, 2017, BVTEHC was incorporated under the laws of the province of Ontario, Canada as a limited liability company with an authorized share capital of an unlimited number of

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

common shares in order to act as the intermediate holding company of our Group. One share of BVTEHC was issued and allotted to RT Group on the same date and upon completion of such issue and allotment, BVTEHC became wholly-owned by RT Group.

1134351 B.C.

On September 18, 2017, 1134351 B.C. was incorporated under the laws of the province of British Columbia, Canada as an unlimited liability company with an authorized share capital of an unlimited number of common shares in order to act as the intermediate holding company of our Group. One share of 1134351 B.C. was issued and allotted to AT Holdings on the same date and upon completion of such issue and allotment, 1134351 B.C. became wholly owned by AT Holdings.

BVRTH

On August 1, 2017, BVRTH was incorporated under the laws of the province of Ontario, Canada as a limited liability company with an authorized share capital of an unlimited number of common shares. On the same date, one share of BVRTH was issued and allotted to RT Group, a company controlled by Mrs. Tsang who is entitled to 90.9% of its voting rights in her own capacity. Upon completion of such issue and allotment, Mrs. Tsang indirectly wholly owned BVRTH through RT Group and, as part of the Reorganization, BVRTH acts as the holding company for the interest of Mrs. Tsang in our Company.

BVATH

On August 1, 2017, BVATH was incorporated under the laws of the province of Ontario, Canada as a limited liability company with an authorized share capital of an unlimited number of common shares. On the same date, one share of BVATH was issued and allotted to AT Holdings, a company wholly-owned by Ms. Tsu. Upon completion of such issue and allotment, Ms. Tsu indirectly wholly-owned BVATH through AT Holdings and, as part of the Reorganization, BVATH acts as the holding company for the interest of Ms. Tsu in our Company.

BVDCH

On August 1, 2017, BVDCH was incorporated under the laws of the province of Ontario, Canada as a limited liability company with an authorized share capital of an unlimited number of common shares. On the same date, one share of BVDCH was issued and allotted to DC Holdings, a company wholly-owned by Dr. Chu. Upon completion of such issue and allotment, Dr. Chu indirectly wholly-owned BVDCH through DC Holdings and, as part of the Reorganization, BVDCH acts as the holding company for the interest of Dr. Chu in our Company.

BVTEHU

On August 1, 2017, BVTEHU was incorporated under the laws of the province of Ontario, Canada as a limited liability company with an authorized share capital of an unlimited number of common shares in order to act as the intermediate holding company of our Group. One share of BVTEHU was issued and allotted to our Company on August 19, 2017 and upon completion of such issue and allotment, BVTEHU became wholly-owned by our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Transfer of shares of Tour East Canada to BVTEHC

On October 9, 2017, RT Group transferred its 60 common shares and 4,200,000 Class A preference shares of Tour East Canada to BVTEHC at fair market value. The consideration was fully settled by BVTEHC issuing and allotting 59 common shares of BVTEHC to RT Group.

On October 9, 2017, AT Holdings transferred its 30 common shares and 2,100,000 Class A preference shares of Tour East Canada to BVTEHC at fair market value. The consideration was fully settled by BVTEHC issuing and allotting 30 common shares of BVTEHC to AT Holdings.

On October 9, 2017, DC Holdings transferred its 10 common shares and 700,000 Class A preference shares of Tour East Canada to BVTEHC at fair market value. The consideration was fully settled by BVTEHC issuing and allotting 10 common shares of BVTEHC to DC Holdings.

Upon completion of such transfers, Tour East Canada became wholly-owned by BVTEHC.

Transfer of shares of Tour East New York to 1134351 B.C.

On October 9, 2017, RT Group, AT Holdings and DC Holdings transferred their respective 120, 60 and 20 common shares of Tour East New York to 1134351 B.C. at fair market value. The considerations were fully settled by 1134351 B.C. issuing and allotting 60, 29 and 10 common shares of 1134351 B.C. to RT Group, AT Holdings and DC Holdings, respectively. Upon completion of such transfers, Tour East New York became wholly-owned by 1134351 B.C.

Transfers of shares of each of BVTEHC and 1134351 B.C. to our Company

On October 9, 2017, RT Group, AT Holdings and DC Holdings transferred their respective 60, 30 and 10 common shares of BVTEHC to our Company at fair market value. The considerations were settled by our Company issuing and allotting 496,799,999, 248,400,000 and 82,800,000 Shares to RT Group, AT Holdings and DC Holdings, respectively. Upon completion of such transfers, BVTEHC became wholly-owned by our Company.

On the same date, RT Group, AT Holdings and DC Holdings transferred their respective 60, 30 and 10 common shares of 1134351 B.C. to our Company at fair market value. The considerations were settled by our Company issuing and allotting 43,200,000, 21,600,000 and 7,200,000 Shares to RT Group, AT Holdings and DC Holdings, respectively. Upon completion of such transfers, 1134351 B.C. became wholly-owned by our Company.

Transfer of shares of each of BVTEHC and 1134351 B.C. to BVTEHU

On October 9, 2017, our Company transferred its 100 common shares of BVTEHC and 100 common shares of 1134351 B.C. to BVTEHU at fair market value. The consideration was settled by BVTEHU issuing and allotting 100 common shares of BVTEHU to our Company. Upon completion of such transfers, BVTEHC and 1134351 B.C. became directly wholly-owned by BVTEHU.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Transfers of Shares to BVRTH, BVATH and BVDCH

On October 9, 2017, RT Group transferred its 540,000,000 Shares to BVRTH at fair market value. In full settlement of the consideration, BVRTH issued and allotted 119 common shares of BVRTH to RT Group.

On October 9, 2017, AT Holdings transferred its 270,000,000 Shares to BVATH at fair market value. In full settlement of the consideration, BVATH issued and allotted 59 common shares of BVATH to AT Holdings.

On October 9, 2017, DC Holdings transferred its 90,000,000 Shares to BVDCH at fair market value. In full settlement of the consideration, BVDCH issued and allotted 19 common shares of BVDCH to DC Holdings.

Upon completion of such transfers, our Company was owned as to 60% by BVRTH, 30% by BVATH and 10% by BVDCH.

Exchange of Class A preference shares to common shares of Tour East Canada

On October 9, 2017, BVTEHC exchanged its 7,000,000 Class A preference shares of Tour East Canada for seven common shares of Tour East Canada at fair market value.

Continuation of jurisdiction of BVRTH, BVATH, BVDCH, BVTEHU and our Company

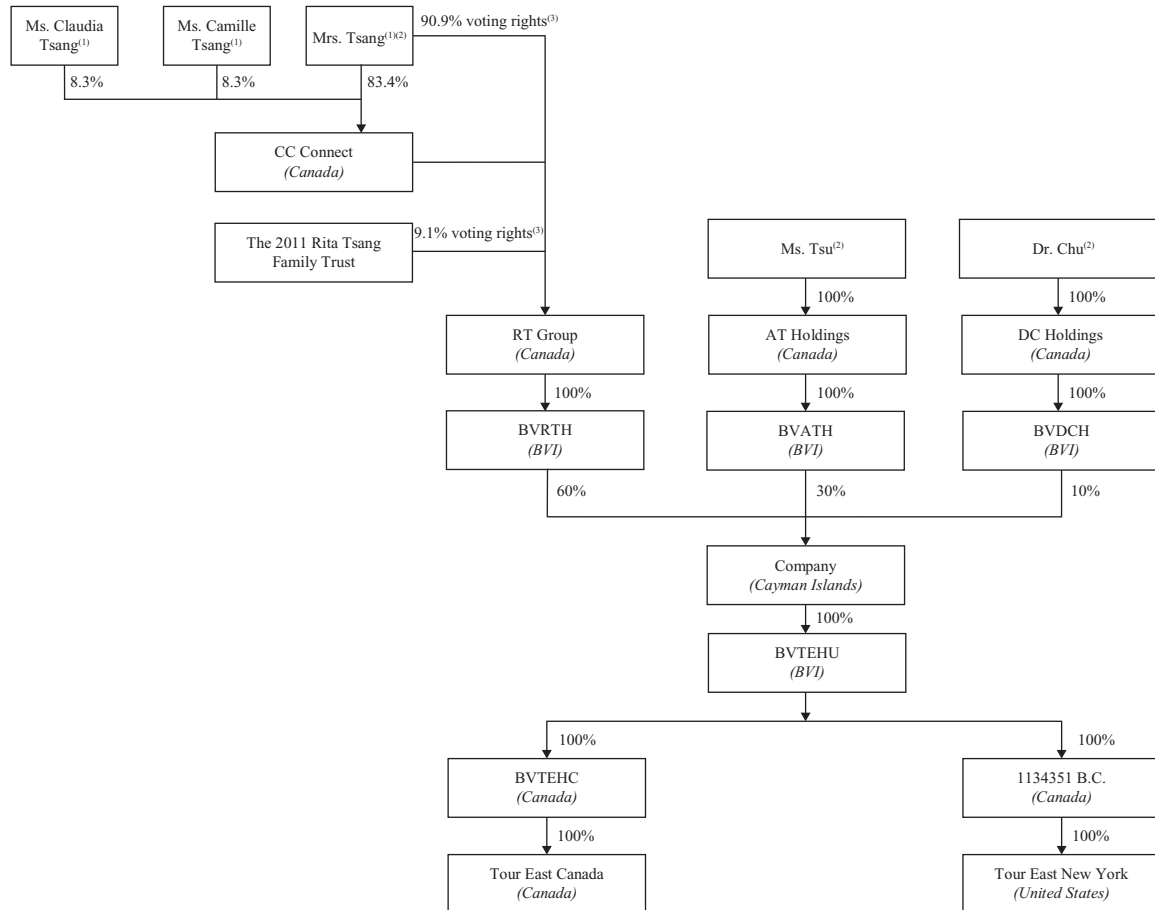
On October 20, 2017, our Company was registered by way of continuation as an exempted Company in the Cayman Islands with limited liability.

On October 23, 2017, each of BVRTH, BVATH, BVDCH and BVTEHU continued its jurisdiction of incorporation from the province of Ontario, Canada to the BVI.

All the relevant regulatory requirements and approvals under Canadian corporate laws in respect of the Reorganization have been complied with and obtained.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth our corporate and shareholding structure immediately after the Reorganization, but before the completion of the Share Offer:

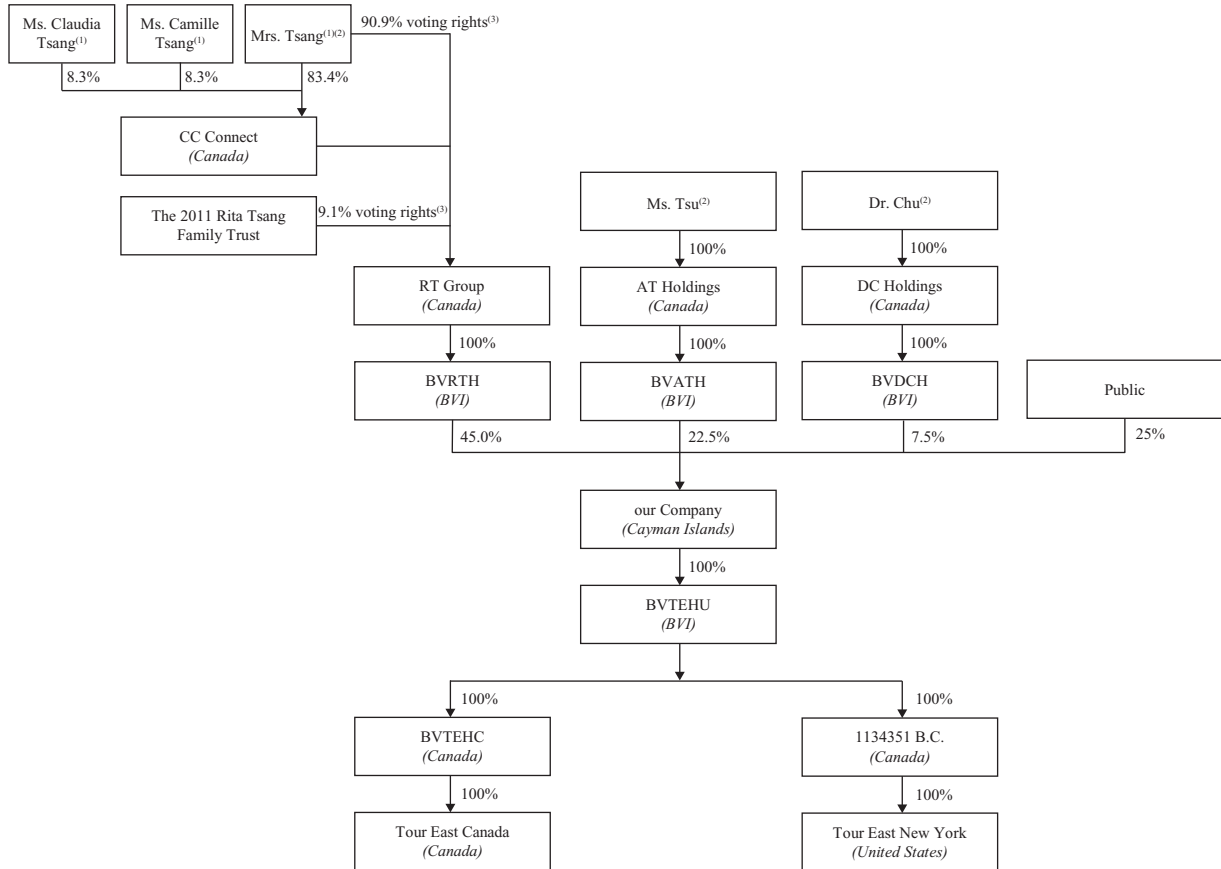


Notes:

- (1) Ms. Claudia Tsang and Ms. Camille Tsang are daughters of Mrs. Tsang.
- (2) Mrs. Tsang, Ms. Tsu and Dr. Chu are siblings.
- (3) Both the common shares and class A shares of RT Group carry equal voting rights.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth our corporate and shareholding structure upon completion of the Share Offer (assuming the Over-allotment Option is not exercised and taking no account of any Shares to be issued upon the exercise of any options that may be granted under the Share Option Scheme):



Notes:

- (1) Ms. Claudia Tsang and Ms. Camille Tsang are daughters of Mrs. Tsang.
- (2) Mrs. Tsang, Ms. Tsu and Dr. Chu are siblings.
- (3) Both the common shares and class A shares of RT Group carry equal voting rights.

OVERVIEW

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

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

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

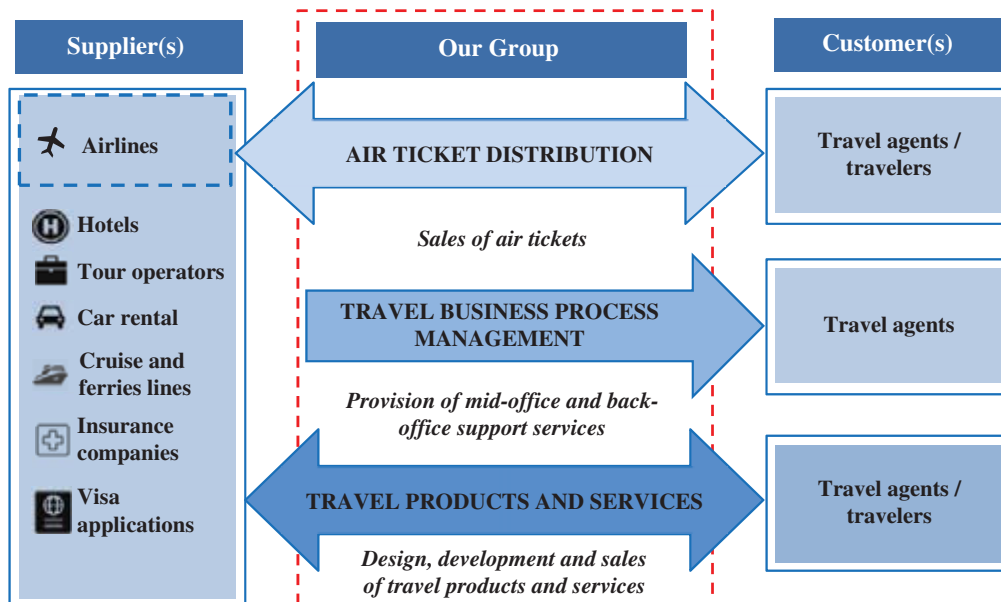
We also offer package tours and other travel products and services to travel agents and travelers. Our package tours can be further classified as group travel tours and join-in coach tours, normally comprising pre-arranged flights or coach bus, hotel accommodations, local transportations and arrangements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

BUSINESS

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

OUR BUSINESS MODEL

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



COMPETITIVE STRENGTHS

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

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

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

BUSINESS

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

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

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

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

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

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

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

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

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

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

BUSINESS

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

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

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

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

BUSINESS STRATEGIES

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

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

Air Ticket Distribution

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

BUSINESS

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

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

BUSINESS

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

Travel Business Process Management

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

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

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

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

BUSINESS

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

Enhance our brand recognition and awareness

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

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

PRODUCTS AND SERVICES

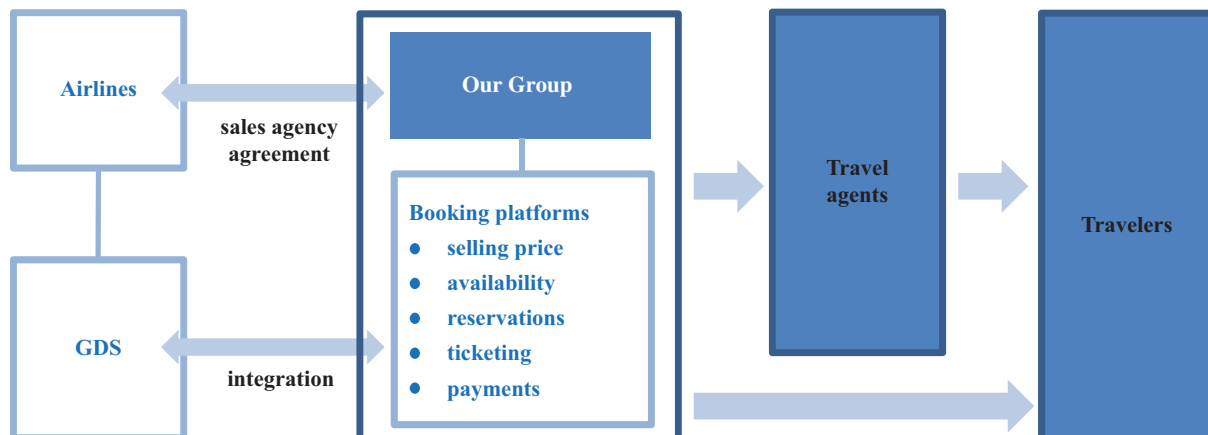
(i) Air Ticket Distribution

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

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

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

Our service function is illustrated in the flowchart below:



Access to Airfares

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

Booking

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

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

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

Pricing and payment

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

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

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

Air ticket issuance and after sales services

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

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

Incentive commission arrangements from airline suppliers

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

BUSINESS

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

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

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

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

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

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

Incentive reward scheme from GDS providers

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

(ii) Travel Business Process Management

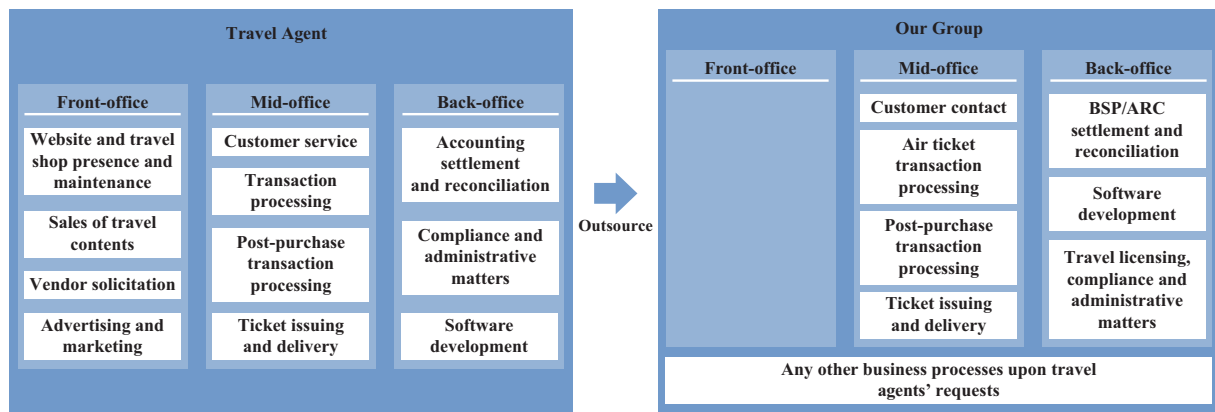
We provide travel business process management to travel agents in North America. The business processes of travel agents is typically categorized as front-office including sales of travel contents, website or travel shop presence, vendor solicitation including liaison with airlines

BUSINESS

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

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

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



Air ticket transaction processing

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

- Air ticket transaction process
- issuance of air tickets

BUSINESS

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

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

Customer contact

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

BSP/ARC settlement and reconciliation

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

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

BUSINESS

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

Software development

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

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

Travel licensing, compliance and other administrative matters

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

Operation Flow

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



Request for proposal, evaluation and site visits

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

BUSINESS

Formulation of scope of services

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

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

Launch of services

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

Provision of services

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

Ongoing supervision and regular reporting

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

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

BUSINESS

Travel Business Process Management Team

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

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

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

(iii) Travel Products and Services

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

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

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

Package tours

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

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

Other travel products and services

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

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

Operation Flow

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



Development of package tours

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

Tour planning

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

Sales of travel products and services

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

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

BUSINESS

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

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

Pre-tour arrangement

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

Tour operation

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

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

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

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

BUSINESS

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

Evaluation

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

Emergency handling policy

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

CUSTOMERS

Top customers

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

BUSINESS

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

For the year ended December 31, 2015

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

BUSINESS

For the year ended December 31, 2016

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

BUSINESS

For the year ended December 31, 2017

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

Notes:

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

BUSINESS

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

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

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

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

BUSINESS

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

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

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

BUSINESS

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

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

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

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

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

BUSINESS

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

Travel Agents

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

Travel Business Process Management Agreement

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

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

BUSINESS

Preferred Vendor Agreement

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

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

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

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

Travelers

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

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

Concentration risk of our customers

Background of Customer A

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

Mutual and complementary reliance between Customer A and our Group

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

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

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

BUSINESS

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

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

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

BUSINESS

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

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

SUPPLIERS

Top Suppliers

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

BUSINESS

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

For the year ended December 31, 2015

| <u>Suppliers</u> | <u>Principal business</u> | <u>Location</u> ^(Note 1) | <u>Supplies/ Products</u> | <u>Years of business relationship with our Group</u> | <u>Payment term</u> | <u>Gross cost of procurement amount</u> <i>(HK\$'000)</i> | <u>Percentage of our Group's total gross cost of procurement</u> % |
|------------------|---------------------------|-------------------------------------|---------------------------|--|------------------------------------|--|---|
| Supplier A | Airline | Canada | Air ticket | 30 | up to 10 days after weekly closing | 1,116,540 | 35.6 |
| Supplier B | Airline | the U.S. | Air ticket | 13 | up to 10 days after weekly closing | 393,230 | 12.6 |
| Supplier D | Airline | the U.S. | Air ticket | 25 | up to 10 days after weekly closing | 250,456 | 8.0 |
| Supplier C | Airline | Hong Kong | Air ticket | 37 | up to 10 days after weekly closing | 209,137 | 6.7 |
| Supplier E | Airline | China | Air ticket | 12 | up to 10 days after weekly closing | 160,771 | 5.1 |

For the year ended December 31, 2016

| <u>Suppliers</u> | <u>Principal business</u> | <u>Location</u> ^(Note 1) | <u>Supplies/ Products</u> | <u>Years of business relationship with our Group</u> | <u>Payment term</u> | <u>Gross cost of procurement amount</u> <i>(HK\$'000)</i> | <u>Percentage of our Group's total gross cost of procurement</u> % |
|------------------|---------------------------|-------------------------------------|---------------------------|--|------------------------------------|--|---|
| Supplier A | Airline | Canada | Air ticket | 30 | up to 10 days after weekly closing | 1,229,787 | 32.5 |
| Supplier B | Airline | the U.S. | Air ticket | 13 | up to 10 days after weekly closing | 407,739 | 10.8 |
| Supplier D | Airline | the U.S. | Air ticket | 25 | up to 10 days after weekly closing | 400,468 | 10.6 |
| Supplier C | Airline | Hong Kong | Air ticket | 37 | up to 10 days after weekly closing | 201,400 | 5.3 |
| Supplier E | Airline | China | Air ticket | 12 | up to 10 days after weekly closing | 195,969 | 5.2 |

BUSINESS

For the year ended December 31, 2017

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

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

Travel providers

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

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

BUSINESS

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

GDS providers

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

Ground operators and tour guides

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

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

Concentration risk of our suppliers

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

BUSINESS

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

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

SALES

Sales Channels

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

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

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

BUSINESS

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

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

Sales Team

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

Pricing, payment and refund

Air ticket distribution

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

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

Travel products and services

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

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

BUSINESS

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

Travel business process management

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

Seasonality

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

MARKETING AND PROMOTION

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

Media advertisement

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

BUSINESS

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

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

Travel shows and industry trade conferences

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

Branch display

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

Sales calls and visits

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

Loyalty program

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

Promotions

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

QUALITY CONTROL

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

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

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

CUSTOMER CARE AND COMPLAINT HANDLING**Customer satisfaction and evaluation**

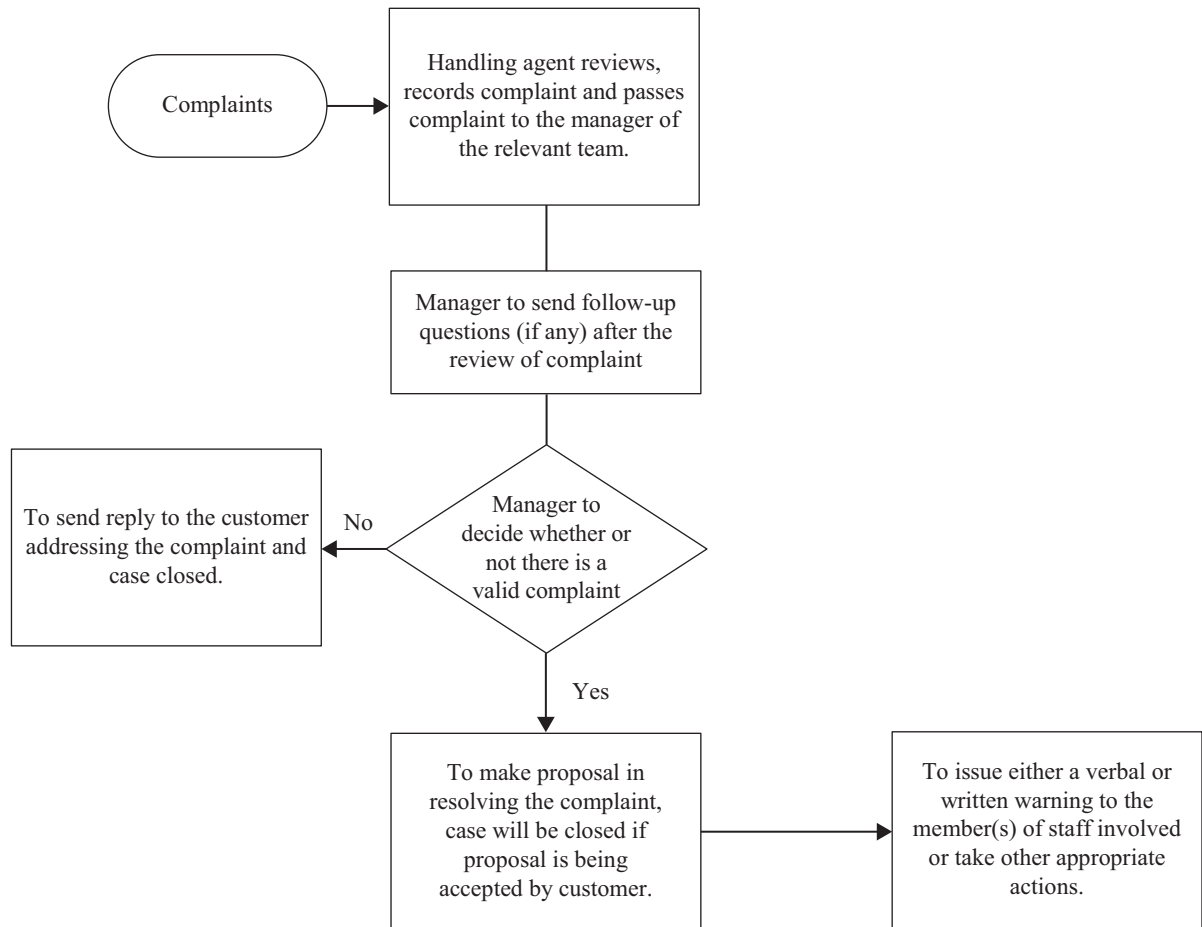
We are committed to providing high quality products and services to our customers. We have provided various means such as customer evaluation form, phone interviews, customer service hotlines and our corporate page on popular social networks, for our customers to make enquiries and provide feedback.

Complaint handling

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

BUSINESS

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



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

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

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

INFORMATION TECHNOLOGY

Information technology infrastructure and technical know-how

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

BUSINESS

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

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

Travel technology services team

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

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

MARKET AND COMPETITION

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

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

BUSINESS

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

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

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

INTELLECTUAL PROPERTY

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

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

BUSINESS

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

PROPERTIES

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

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

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

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

Leased properties in Canada

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

BUSINESS

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

Notes:

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

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

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

Leased property in New York

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

INSURANCE

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

BUSINESS

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

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

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

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

EMPLOYEES

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

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

Recruitment

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

Remuneration

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

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

Training

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

Employee Relations

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

HEALTH AND WORK SAFETY

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

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

BUSINESS

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

LICENSES, APPROVALS, PERMITS AND ACCREDITATIONS

Licenses, approvals and permits

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

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

BUSINESS

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

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

IATA accreditation

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

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

ARC accreditation

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

BUSINESS

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

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

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

Legal compliance

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

BUSINESS

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

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

Foreign exchange risk control

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

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

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

BUSINESS

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Offer (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme), BVRTH, wholly owned by RT Group, which in turn is controlled by Mrs. Tsang, will be entitled to exercise or control the exercise of approximately 45% of the entire issued share capital of our Company. Mrs. Tsang is our executive Director, for the background of Mrs. Tsang, please refer to the section headed “Directors, Senior Management and Employees — Directors — Executive Directors” in this prospectus.

None of our Controlling Shareholders is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates (other than members of our Group) not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has undertaken to us in the Deed of Non-competition that she/it will not, and will procure her/its close associates (other than members of our Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with our existing business activity or any business activities that our Group may undertake in the future (the “**Restricted Activity**”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by our Group from time to time except where our Controlling Shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not control 10% or more of the board of directors of such company.

Further, each of our Controlling Shareholders has undertaken to procure that if any new business investment or other business opportunity relating to the Restricted Activity (the “**Competing Business Opportunity**”) is identified by or made available to her/it or any of her/its close associates, she/it shall, and shall procure that her/its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the “**Offer Notice**”) to our Company of such Competing Business Opportunity within 30 business days of identifying the target company (if relevant) and the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;
- upon receiving the Offer Notice, our Company shall seek approval from our Board or a board committee (in each case comprising only independent non-executive Directors)

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

which has no interest in the Competing Business Opportunity (the “**Independent Board**”) as to whether to pursue or decline the Competing Business Opportunity (any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity);

- the Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group’s strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;
- the Independent Board shall, within 30 business days of receipt of the written notice referred above, inform our Controlling Shareholders in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;
- our Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if she/it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 days’ period mentioned above; and
- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by our Controlling Shareholders, she/it shall refer such revised Competing Business Opportunity to our Company as if it were a new Competing Business Opportunity.

The Deed of Non-competition will lapse automatically if our Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 30% of our Shares or our Shares cease to be listed on the Stock Exchange.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-competition includes the following provisions:

- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- each of our Controlling Shareholders will and will procure she/its relevant close associates to provide all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-competition;
- we will disclose the review by our independent non-executive Directors on the compliance with and the enforcement of, the Deed of Non-competition and the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) either through our annual report or by way of announcement to the public in compliance with the Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- each of our Controlling Shareholders will make an annual declaration on the compliance with the Deed of Non-competition in our annual report in accordance with the principle of voluntary disclosure in the corporate governance report; and
- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of Deed of Non-Competition, he/she may not vote on the resolutions of our Board approving the matter and may not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

We believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates (other than our Group) after Listing for the following reasons:

1. Management independence and operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the Listing, our Company has full rights to make all decisions on, and to carry out, its own business operations independently. Our Company (through its operating subsidiaries) holds all relevant licenses necessary to carry on the business, and has sufficient capital, equipment and employees to operate the businesses independently from our Controlling Shareholders.

Our Company's management and operational decisions are made by our executive Directors and senior management, who have served our Group for a long time and have substantial experience in the industry in which our Group is engaged. Although Mrs. Tsang and Ms. Tsu also act as our executive Directors, they are aware of their fiduciary duties as a Director whose duties require, among other things, that they act for the benefit and in the best interest of our Company and do not allow any conflict between their duties as a Director and their personal interest. In the event of a conflict of interest or duty, Mrs. Tsang and Ms. Tsu shall abstain from voting when a conflicted resolution is to be discussed and voted on. Further, our Company's three independent non-executive Directors will bring independent judgment to the decision-making process of the Board.

Save as disclosed in the section headed "Connected Transactions" in this prospectus, our Directors do not expect that following the Listing, there will be any other business transactions between our Group and any of our Controlling Shareholders.

Based on the above, our Directors are of the view that we are independent of our Controlling Shareholders in terms of management and business operations.

2. Administrative independence

Our Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. We do not share any administrative functions with our Controlling Shareholders. The company secretary and senior management staff are independent of any of our Controlling Shareholders.

3. Financial independence

Our Group has its own financial management system and the ability to operate independently from our Controlling Shareholders from a financial perspective. Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

As of December 31, 2015 and 2016, our Group had aggregate banking facilities available in form of letters of guarantee of approximately HK\$7.3 million and HK\$60.5 million respectively, which were, among others, guaranteed by Mrs. Tsang, Ms. Tsu and/or Dr. Chu and secured by, among others, property of them and related parties, in conjunction with the corporate guarantee executed by Tour East Canada in favor of Mrs. Tsang, Ms. Tsu and/or Dr. Chu. Such guarantees and securities for our Group's banking facilities, has been released, therefore our Group is capable of obtaining financing from external sources independently without the financial guarantees provided by our Controlling Shareholders or our executive Directors upon Listing. In view of the aforementioned, our Directors consider that our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Controlling Shareholders and their respective close associates may not compete with us as provided in the Deed of Non-competition. Each of our Controlling Shareholders has confirmed that she/it fully comprehends her/its obligations to act as our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Share Offer, we have amended our Articles to comply with the Listing Rules. In particular, our Articles provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum for the voting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors, Senior Management and Employees — Directors — Independent non-executive Directors” in this prospectus; and

- (d) we have appointed Lego Corporate Finance Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the Listing Rules including various requirements relating to directors’ duties and corporate governance.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, substantial shareholders and chief executive or those of our subsidiaries (other than the directors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date and any of their associates will become a connected person of our Company upon Listing. Upon Listing, our transactions with such connected persons will constitute connected transactions under Chapter 14A of the Listing Rules. The following transactions, which are transactions being carried out in the ordinary course of business of our Group and are expected to continue after completion of the Share Offer, will constitute continuing connected transactions for our Company.

Continuing connected transactions which are fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirement

Tenancy Agreement in respect of the office located at Unit 173, 4438 Sheppard Avenue E, Scarborough, Ontario, Canada M1S 5V9 (the "Sheppard Tenancy Agreement")

On January 1, 2018, Tour East Canada as tenant entered into the Sheppard Tenancy Agreement with Ms. Min Tsu as a landlord, pursuant to which Ms. Min Tsu agreed to lease to Tour East Canada a property situated at Unit 173, 4438 Sheppard Avenue E, Scarborough, Ontario, Canada M1S 5V9 (the "**Sheppard Premises**"), with a total gross floor area of approximately 295 sq. ft. The Sheppard Premises has been used as our retail branch in Ontario. The Sheppard Tenancy Agreement has a term commenced from January 1, 2018 and ending on December 31, 2020 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD2,000. During the term of the Sheppard Tenancy Agreement, each of Ms. Min Tsu and Tour East Canada shall have the right to terminate the Sheppard Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Sheppard Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Sheppard Tenancy Agreement, the performance of Tour East Canada's obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada.

During the Track Record Period, Tour East Canada leased the Sheppard Premises from Ms. Min Tsu as its retail branch. The total amount of rental expenses paid by our Group in respect of the lease of the Sheppard Premises for each of the years ended December 31, 2015, 2016 and 2017 were CAD24,000, CAD24,000 and CAD24,000, respectively.

Our Directors estimate that for the three years ending December 31, 2020, the aggregate annual rental payable by Tour East Canada to Ms. Min Tsu under the Sheppard Tenancy Agreement will not exceed CAD24,000, CAD24,000 and CAD24,000, respectively.

CONNECTED TRANSACTIONS

*Tenancy Agreement in respect of the office located at Ground Floor, Unit G1, 4168 Finch Avenue E, Scarborough, Ontario, Canada M1S 5H6 (the “**Finch Tenancy Agreement**”)*

On January 1, 2018, Tour East Canada as tenant entered into the Finch Tenancy Agreement with Ms. Min Tsu as a landlord, pursuant to which Ms. Min Tsu agreed to lease to Tour East Canada a property situated at Ground Floor, Unit G1, 4168 Finch Avenue E, Scarborough, Ontario, Canada M1S 5H6 (the “**Finch Premises**”), with a total gross floor area of approximately 493 sq. ft. The Finch Premises has been used as our retail branch in Ontario. The Finch Tenancy Agreement has a term commenced from January 1, 2018 and ending on December 31, 2020 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD1,360. During the term of the Finch Tenancy Agreement, each of Ms. Min Tsu and Tour East Canada shall have the right to terminate the Finch Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Finch Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Finch Tenancy Agreement, the performance of Tour East Canada’s obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada.

During the Track Record Period, Tour East Canada leased the Finch Premises from Ms. Min Tsu as its retail branch. The total amount of rental expenses paid by our Group in respect of the lease of the Finch Premises for each of the years ended December 31, 2015, 2016 and 2017 were CAD16,320, CAD16,320 and CAD16,320, respectively.

Our Directors estimate that for the three years ending December 31, 2020, the aggregate annual rental payable by Tour East Canada to Ms. Min Tsu under the Finch Tenancy Agreement will not exceed CAD16,320, CAD16,320 and CAD16,320, respectively.

*Tenancy Agreement in respect of the office located at 15 Kern Road, Toronto, Ontario, Canada M3B 1S9 (the “**Kern Tenancy Agreement**”)*

On May 7, 2018, Tour East Canada as tenant entered into the Kern Tenancy Agreement with Mrs. Tsang, Ms. Tsu and Dr. Chu (together as “landlord”), pursuant to which landlord agreed to lease to Tour East Canada a property situated at 15 Kern Road, Toronto, Ontario, Canada M3B 1S9 (the “**Kern Premises**”), with a total gross floor area of approximately 14,490 sq. ft. The Kern Premises has been used as our head office in Ontario. The Kern Tenancy Agreement has a term commenced from May 7, 2018 and ending on May 6, 2021 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD20,000. During the term of the Kern Tenancy Agreement, landlord and Tour East Canada shall have the right to terminate the Kern Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Kern Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Kern Tenancy Agreement, the performance of Tour East Canada’s obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada.

CONNECTED TRANSACTIONS

During the Track Record Period, Tour East Canada leased the Kern Premises from landlord as its head office. The total amount of rental expenses paid by our Group in respect of the lease of the Kern Premises for each of the years ended December 31, 2015, 2016 and 2017 were CAD150,000, CAD180,000 and CAD180,000, respectively. The existing tenancy agreement expiring on December 31, 2018 will be terminated.

Our Directors estimate that for the three years ending December 31, 2020, the aggregate annual rental payable by Tour East Canada to landlord under the Kern Tenancy Agreement will not exceed CAD180,000, CAD240,000 and CAD240,000, respectively.

Having considered the rentals of comparable offices in the nearby location, and the relocation costs which our Group may incur if we move out of the Sheppard Premises, the Finch Premises and the Kern Premises (collectively the “**Premises**”), our Directors consider that it is desirable and in the interests of our Company and Shareholders as a whole to continue using the Premises as office and retail branches in order to maintain the stable operation of our Group.

Our Directors confirm that the tenancy agreements of the Premises during the Track Record Period and the continuing connected transactions above were (i) conducted on normal commercial terms; (ii) carried out in our Group’s ordinary and usual course of business; and (iii) fair and reasonable, and in the interests of our Company and Shareholders as a whole. Our Directors, including the independent non-executive Directors, also confirm that the annual caps of all the continuing connected transaction above are fair and reasonable and in the interests of our Company and Shareholders as a whole.

LISTING RULES IMPLICATIONS

Immediately upon completion of the Share Offer (taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), Mrs. Tsang will through controlled corporations hold 45% of the issued Shares and will be our Controlling Shareholder. Ms. Min Tsu is the mother of Mrs. Tsang, our Controlling Shareholder, and is an associate of our Controlling Shareholder, and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Sheppard Tenancy Agreement and the Finch Tenancy Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

Mrs. Tsang, Ms. Tsu and Dr. Chu are our Directors. Accordingly, the transaction contemplated under the Kern Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable percentage ratios (other than the profits ratio) for (a) the Sheppard Tenancy Agreement and the Finch Tenancy Agreement on an aggregated basis; and (b) the Sheppard Tenancy Agreement, the Finch Tenancy Agreement and the Kern Tenancy Agreement on a standalone basis is expected to be less than 5% and the total consideration is less than HK\$3,000,000 on an annual basis, the transactions are fully exempt from the reporting, annual review, announcement, circular and the independent shareholders’ approval requirement under Rule 14A.76(1) of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board currently consists of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into service contracts with each of our executive Directors, and letters of appointment with each of our non-executive Director and independent non-executive Directors.

The table below shows certain information in respect of members of our Board and senior management:

Members of our Board

| Name | Age | Date of joining our Group | Date of appointment as Director | Existing position(s) in our Group | Roles and responsibilities |
|--|-----|------------------------------|---------------------------------------|--|---|
| Mrs. Rita Pik Fong Tsang (朱碧芳) <i>(Note)</i> | 64 | February 13, 1976 | August 18, 2017 | Chairperson and executive Director | Responsible for overall strategic planning and business development of our Group |
| Ms. Annie Shuk Fong Tsu (朱淑芳) <i>(Note)</i> | 56 | January 1, 1983 | August 18, 2017 | Chief executive officer and executive Director | Responsible for overseeing the operations, strategic management, finance functions and travel technology services of our Group |
| Dr. Kwok Chun Dennis Chu (朱國俊) <i>(Note)</i> | 58 | January 1, 2013 | August 18, 2017 | Non-executive Director | Responsible for providing strategic advice and guidance on the business development of our Group |
| Dr. Michael Edward Ricco | 62 | May 7, 2018 | May 7, 2018 | Independent non-executive Director | Responsible for supervising and providing independent advice to the Board |
| Mrs. Kitty Yuk- Yee Yeung (楊伍玉儀) | 63 | May 7, 2018 | May 7, 2018 | Independent non-executive Director | Responsible for supervising and providing independent advice to the Board |
| Mr. Sik Yuen Lau (劉錫源) | 51 | May 7, 2018 | May 7, 2018 | Independent non-executive Director | Responsible for supervising and providing independent advice to the Board |

Note: None of our Directors is personally related to any other Director, except that Mrs. Rita Pik Fong Tsang, Ms. Annie Shuk Fong Tsu and Dr. Kwok Chun Dennis Chu are siblings.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Members of our senior management

| Name | Age | Date of joining our Group | Date of appointment as senior management | Existing position in our Group | Roles and responsibilities |
|-----------------------------------|-----|---------------------------|--|--------------------------------------|--|
| Mr. Anthony Kin Fai Chiu (趙建輝) | 58 | August 11, 2014 | March 10, 2017 | Chief financial officer | Responsible for accounting organization, financial planning, tax planning and treasury |
| Mr. Rajasunderam Ravikumar | 61 | March 12, 2007 | February 1, 2017 | Vice president, Strategic Planning | Responsible for identifying client requirements, defining opportunities, developing solutions and implementing business strategies |
| Ms. Wendy Law (羅梁妙蓮) | 64 | January 5, 2004 | May 1, 2017 | Director, Air Market | Responsible for overseeing the business operations of retail business unit and air market |
| Mr. Jason Kam On Ho (何錦安) | 55 | September 22, 2008 | March 16, 2017 | Director, Travel Technology Services | Responsible for leading software development team and overseeing network infrastructure team |

Executive Directors

Mrs. Rita Pik Fong Tsang (朱碧芳), aged 64, is one of the founders of our Group, and was appointed as our executive Director on August 18, 2017. Mrs. Tsang is responsible for overall strategic planning and business development of our Group. Mrs. Tsang successively served as vice president, president and chief executive officer, and chairperson of Tour East Canada and Tour East New York, respectively, since their establishments, and has been primarily responsible for their overall management. Mrs. Tsang has over 40 years of experience in the travel and tourism industry through managing the operations of our Group since its inception in 1976. Mrs. Tsang obtained her bachelor of arts degree in general studies from University of Toronto in Canada in June 1978. Mrs. Tsang is the sister of Ms. Tsu and Dr. Chu.

Ms. Annie Shuk Fong Tsu (also known as *Shuk Fong Anne Tsu*) (朱淑芳), aged 56, was appointed as our executive Director on August 18, 2017 and is responsible for overseeing the operations, strategic management, finance functions and travel technology services of our Group. Ms. Tsu joined our Group in January 1983 as a travel consultant of Tour East Canada and was responsible for sales and marketing. She successively served various positions in Tour East Canada, including vice president overseeing marketing from September 1992 to December 2000, executive vice president overseeing marketing and information technology from September 2001 to December 2009, president in charge of sales and overall operations from December 2010 to April 2017, and president and chief executive office overseeing the operations and management since May 2017. Since January 1992, Ms. Tsu also successively served as vice president and executive vice president in Tour East New York, and has been serving as its president and chief executive officer overseeing its operations and management since December 2015. Ms. Tsu was awarded Ernst & Young Entrepreneur of the Year Award in tourism and hospitality in Ontario in

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

2010. Ms. Tsu attended University of Toronto in Canada from September 1980 to 1982. Ms. Tsu is the sister of Mrs. Tsang and Dr. Chu.

Non-executive Director

Dr. Kwok Chun Dennis Chu (朱國俊), aged 58, joined our Group as a director of Tour East Canada in January 2013 and was appointed as our non-executive Director on August 18, 2017. Dr. Chu is primarily responsible for providing strategic advice and guidance on the business development of our Group. He is a licensed obstetrician and gynecologist in Toronto and has been serving as a clinician in North York General Hospital since July 1995. Dr. Chu obtained his doctor of medicine degree in medicine from University of Toronto in Canada in June 1985. Dr. Chu is the brother of Mrs. Tsang and Ms. Tsu.

Independent non-executive Directors

Dr. Michael Edward Ricco, aged 62, was appointed as an independent non-executive Director of our Company on May 7, 2018. Dr. Ricco has 32 years experience in the aviation and international tourism industries. From June 1974 to August 1994, Dr. Ricco worked at United Airlines where he last served as senior staff planner and was primarily responsible for its operations, sales and marketing and strategic planning. From August 1994 to September 2006, Dr. Ricco served as a vice president and general manager of the international division of The Mark Travel Corporation, a company principally engaged in international tourism, and was primarily responsible for international marketing and sales. Since July 2006, Dr. Ricco has been serving as the sole principal at Ricco Consulting LLC, a company principally engaged in the provision of consulting services to travel and other industries, where he was primarily responsible for strategic planning and business development projects.

Dr. Ricco obtained his degree of associate in science from Muskegon Community College in the United States in April 1976, his bachelor of business administration degree in marketing from Grand Valley State University in the United States in August 1978, his master of business administration degree in marketing management from San Francisco State University in the United States in January 1983, and his doctorate of business administration degree in business administration from University of Phoenix in the United States in September 2009.

Mrs. Kitty Yuk-Yee Yeung (楊伍玉儀) (*also known as Kitty Yuk-Yee Ng* (伍玉儀)), aged 63, was appointed as an independent non-executive Director of our Company on May 7, 2018. Mrs. Yeung has been working as a freelance marketing consultant since January 2009, mainly providing marketing advice and consultancy to new entrepreneurs in Toronto. Mrs. Yeung has over 30 years of experience in print media industry, with specific expertise in journalism, marketing and operations management. She served as the general manager of Today Daily News from July 2006 to September 2007 and of World Journal from September 2003 to May 2006, where she was responsible for the management of all departments of the newspaper respectively excluding editorial department. From January 2000 to August 2003, she served as the vice president of corporate development at Balmoral Marketing where she was primarily responsible for strategic planning and building customer relations. From October 1979 to April 1998, Mrs. Yeung successively served as a reporter, deputy editor-in-chief, assistant general manager, deputy general manager and general manager at Sing Tao Newspaper (Canada 1988) Limited where she was

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

primarily responsible for the management of all departments of the newspaper excluding editorial department. Mrs. Yeung obtained her bachelor of art degree in sociology from McMaster University in Canada in August 1977.

Mr. Sik Yuen Lau (劉錫源), aged 51, was appointed as an independent non-executive Director of our Company on May 7, 2018. Mr. Lau has over 13 years experience in auditing and financial accounting industry. Mr. Lau has been our company secretary and chief financial officer of Xinyi Glass Holdings Limited, a company principally engaged in production and sales of glass products and listed on the Stock Exchange (stock code: 868) since April 2003, and is responsible for managing the financial, taxation, investor relations and company secretary matters. Mr. Lau successively served as a financial manager and the financial controller at Pollution & Protection Services Ltd., a company primarily engaged in environmental protection, from June 1999 to April 2003. He successively served as an associate and a senior associate at PricewaterhouseCoopers from August 1994 to April 1999, where he was in charge of audits.

Mr. Lau obtained his bachelor of science degree in business administration from Oregon State University in the United States in September 1989. Mr. Lau is a member of American Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lau was, or has been, a director of the following companies listed on the Stock Exchange:

| <u>Company</u> | <u>Stock code</u> | <u>Principal business</u> | <u>Position</u> | <u>Period of time</u> |
|--|-------------------|---|------------------------------------|-----------------------------------|
| China Qinfa Group Limited | 866 | Coal operation | Independent non-executive Director | Since June 2009 |
| Dragon Crown Group Holdings Limited | 935 | Integrated terminal service provider | Independent non-executive Director | Since November 2010 |
| SDM Group Holdings Limited | 8363 | Dance institution | Independent non-executive Director | Since September 2014 |
| ZMFY Automobile Glass Services Limited | 8135 | Automobile glass installation/repair service provider | Non-executive Director | From August 2013 to December 2014 |

Save as disclosed above in this section, to the best of the knowledge, information and belief of our Directors and having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules, and none of our Directors acted as a director of any companies listed on the Stock Exchange or other stock exchanges for the last three years as of the Latest Practicable Date.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SENIOR MANAGEMENT

Mr. Anthony Kin Fai Chiu (趙建輝), aged 58, joined our Group as a financial controller in August 2014 and was promoted to chief financial officer in March 2017 where he is primarily responsible for accounting organization, financial planning, tax planning and treasury. Mr. Chiu has over 25 years experience in auditing, accounting and finance fields. Prior to joining our Group, from November 2006 to November 2012, he served as a group financial controller at North China German Auto Ltd., an auto dealership group, where he was primarily responsible for financial, treasury and administration matters. From August 2002 to October 2006, he served as a financial controller at Sime Darby Ltd., an auto dealership group, where he was primarily responsible for financial matters. From December 1997 to July 2002, he served as a financial analysis manager at Tetra Pak Hong Kong, a company principally engaged in food packaging, where he was principally responsible for business and financial analysis. He served as auditor at various accounting firms from August 1991 to November 1997. Mr. Chiu has been an independent non-executive director of Sigma Equity VA Fund since December 2015.

Mr. Chiu obtained his bachelor of science degree and master's degree in business administration in February 1988 from State University of New York at Buffalo in the United States. He has been a member of the American Institute of Certified Public Accountants since October 1996, a fellow member of Hong Kong Society of Accountants since October 2004, and a certified public accountant in the State of Illinois in the United States since August 1996.

Mr. Rajasunderam Ravikumar, aged 61, joined our Group as a consultant in March 2007 and has been serving as a vice president of strategic planning since January 2017. Mr. Ravikumar is primarily responsible for identifying client requirements defining opportunities, developing solutions and implementing business strategies. Mr. Ravikumar has over 30 years experience in the travel business. Prior to joining our Group, from May 2004 to February 2007, Mr. Ravikumar served as a vice president and general manager of Skylink Travel, a company principally engaged in the provision of travel services, where he was primarily responsible for managing its business operations and business expansion. From October 1998 to May 2004, he served as a general manager of Canadian business unit of Rosenbluth International, a company principally engaged in provision of travel management services, where he was primarily responsible for managing its operations. From September 1986 to September 1998, he worked at American Express Business Travel, a travel management company, where he last served as a regional and branch management and was primarily responsible for service delivery and onsite operations. Mr. Ravikumar attended McGill University and Concordia University in Canada between 1985 and 1989.

Ms. Wendy Law (羅梁妙蓮), aged 64, joined our Group as a wholesale manager of air reservation unit of Tour East Canada in January 2004 where she was principally responsible for managing wholesale and ticketing operations. Ms. Law was promoted to general manager in August 2006 and further to director of air market where she is principally responsible for overseeing the business operations of retail business unit and air market. Ms. Law has over 30 years experience in travel industry. Prior to joining our Group, from March 2002 to October 2003, Ms. Law served as a director and officer of Travel Unique Inc. From April 1988 to May 2002, Ms. Law successively served as a wholesale sales manager and wholesale operations manager of Jade Tours, a company principally engaged in the provision of travel services, where she was primarily responsible for provision of travel arrangements to retail and corporate customers. From

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

February 1976 to July 1986, Ms. Law worked at Cathay Pacific Airways Limited and last served as a senior purser. She was qualified as a flight attendant on Worldways Canada Ltd. in May 1987. Ms. Law obtained her high school education from St. Margaret's Girls College in Hong Kong from September 1965 to July 1970.

Mr. Jason Kam On Ho (何錦安), aged 55, joined our Group as a business analyst in September 2008, and was promoted to director of travel technology services in March 2017 where he has been primarily responsible for leading software development team and overseeing network infrastructure team. Mr. Ho has over 30 years of experience in software development and project management. Prior to joining our Group, from March 1995 to July 2008, Mr. Ho served as a computer officer and assistant program manager at the Applied Technology Center of Hong Kong University of Science and Technology where he was primarily responsible for the development and implementation of technological projects and software quality assurance. From February 1991 to July 1994, he served as a software engineer at Spar Aerospace Limited, a company principally engaged in research and development of aerospace robotics system.

Mr. Ho obtained his bachelor of science degree in computing science software design from University of Alberta in Canada in November 1986, his master's degree in engineering from University of Colorado in the United States in May 2001, and his executive diploma in transportation logistics management from The Hong Kong University of Science and Technology in September 2003.

None of our senior management members has been a director of any other listed entities during the three years immediately preceding the date of this prospectus.

COMPANY SECRETARY

Mr. Kai Yu Chow (周啟宇), aged 36, was appointed as our company secretary on September 15, 2017. Mr. Chow joined our Group in July 2017 and is currently the financial controller of Tour East Canada. Prior to joining our Group, from September 2014 to June 2017, Mr. Chow served successively as an assistant finance manager and finance manager at Chim Kee Machinery Co., Ltd., a company primarily engaged in construction machinery business, where he was primarily responsible for overseeing and enhancing the accounting function of company's accounts and finance department. He worked at BDO Limited from May 2009 to September 2014 where he last served as an assistant manager and was primarily responsible for audit service. From August 2008 to April 2009, he served as an assistant in the audit and assurance division of Shu Lun Pan Hong Kong CPA Limited, an accounting firm, where he was responsible for audit service.

Mr. Chow obtained his bachelor of science degree in physics from The Hong Kong University of Science and Technology in November 2005 and his master of science degree in materials science and engineering from The Hong Kong University of Science and Technology in November 2006. He has been a member of Hong Kong Institute of Certified Public Accountants since January 2013.

BOARD COMMITTEE**Audit Committee**

We have established an audit committee on May 7, 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The audit committee consists of three members, two of whom are independent non-executive Directors, being Mr. Sik Yuen Lau and Dr. Michael Edward Ricco, and one non-executive Director, being Dr. Kwok Chun Dennis Chu. The audit committee is chaired by Mr. Sik Yuen Lau. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a remuneration committee on May 7, 2018 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The remuneration committee consists of four members, three of whom are independent non-executive Directors, being Dr. Michael Edward Ricco, Mrs. Kitty Yuk-Yee Yeung and Mr. Sik Yuen Lau, and one non-executive Director, being Dr. Kwok Chun Dennis Chu. The remuneration committee is chaired by Dr. Michael Edward Ricco. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on May 7, 2018 with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members, two of whom are independent non-executive Directors, being Dr. Michael Edward Ricco and Mrs. Kitty Yuk-Yee Yeung, and one executive Director, being Mrs. Rita Pik Fong Tsang. The remuneration committee is chaired by Mrs. Rita Pik Fong Tsang. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

CORPORATE GOVERNANCE

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code (“CG Code”) as set out in Appendix 14 to the Listing Rules. Our Company is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors and senior management, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary, cash bonus and other allowance.

The aggregate amount of remuneration including fees, salaries, allowances and benefits in kind, performance related bonuses and pension scheme contribution which were paid to our Directors for the Track Record Period, was approximately HK\$7.0 million, HK\$5.3 million and HK\$5.4 million, respectively.

The aggregate amount of remuneration including salaries, allowances and benefits in kind and pension scheme contributions which were paid by our Group to our five highest paid individuals (excluding our Directors among the five highest paid individuals) for the Track Record Period, was approximately HK\$1.9 million, HK\$3.5 million and HK\$2.7 million, respectively.

No remuneration was paid by our Group to our Directors of or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the years ended December 31, 2015, 2016 and 2017. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, allowances and benefits in kind and pension scheme contribution, but excluding discretionary bonuses) of our Directors for the year ending December 31, 2018 is estimated to be no more than HK\$5.6 million.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed “D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISOR

We have appointed Lego Corporate Finance Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an enquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

| Name of Shareholder | Nature of interest | Shares held immediately prior to the Share Offer ⁽¹⁾ | | Shares held immediately after completion of the Share Offer (taking into no account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme) ⁽¹⁾ | |
|----------------------------|--------------------------------------|---|------------|---|------------|
| | | Number | Percentage | Number | Percentage |
| BVRTH ⁽²⁾ | Beneficial owner | 540,000,000 (L) | 60.0% | 540,000,000 (L) | 45.0% |
| RT Group ⁽²⁾ | Interest of a controlled corporation | 540,000,000 (L) | 60.0% | 540,000,000 (L) | 45.0% |
| Mrs. Tsang ⁽²⁾ | Interest of a controlled corporation | 540,000,000 (L) | 60.0% | 540,000,000 (L) | 45.0% |
| BVATH ⁽³⁾ | Beneficial owner | 270,000,000 (L) | 30.0% | 270,000,000 (L) | 22.5% |
| AT Holdings ⁽³⁾ | Interest of a controlled corporation | 270,000,000 (L) | 30.0% | 270,000,000 (L) | 22.5% |
| Ms. Tsu ⁽³⁾ | Interest of a controlled corporation | 270,000,000 (L) | 30.0% | 270,000,000 (L) | 22.5% |
| BVDCH ⁽⁴⁾ | Beneficial owner | 90,000,000 (L) | 10.0% | 90,000,000 (L) | 7.5% |
| DC Holdings ⁽⁴⁾ | Interest of a controlled corporation | 90,000,000 (L) | 10.0% | 90,000,000 (L) | 7.5% |
| Dr. Chu ⁽⁴⁾ | Interest of a controlled corporation | 90,000,000 (L) | 10.0% | 90,000,000 (L) | 7.5% |

Notes:

- (1.) The letter “L” denotes the person’s long position in the Share.
- (2.) BVRTH is beneficially and wholly-owned by RT Group, in which Mrs. Tsang is entitled to 90.9% of the voting rights in her own capacity. By virtue of the SFO, Mrs. Tsang is deemed to be interested in our Shares held by BVRTH.
- (3.) BVATH is beneficially and wholly-owned by AT Holdings, which in turn is wholly-owned by Ms. Tsu. By virtue of the SFO, Ms. Tsu is deemed to be interested in our Shares held by BVATH.
- (4.) BVDCH is beneficially and wholly-owned by DC Holdings, which in turn is wholly-owned by Dr. Chu. By virtue of the SFO, Dr. Chu is deemed to be interested in our Shares held by BVDCH.

SUBSTANTIAL SHAREHOLDERS

If the Over-allotment Option is fully exercised, the beneficial interests of each of BVRTH, BVATH and BVDCH in our Company will be approximately 43.4%, 21.7% and 7.2%, respectively.

Except as disclosed in this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Share Offer (assuming the Over-allotment Option is not exercised and no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investor agreements with WWPKG Holdings Company Limited (“**WWPKG**”) and Mr. Duncan Chiu (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”) who have agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 10,000 Shares) which may be purchased at amount of approximately HK\$10.0 million each with an aggregate amount of approximately HK\$20.0 million.

Assuming an Offer Price of HK\$0.302 (being the Offer Price after the Downward Offer Price Adjustment of approximately 10% set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 66.2 million Shares, representing approximately (i) 22.1% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 5.5% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 5.3% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.335 (being at the low end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 59.7 million Shares, representing approximately (i) 19.9% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 5.0% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 4.8% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.38 (being at the approximate mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 52.6 million Shares, representing approximately (i) 17.5% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 4.4% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 4.2% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.425 (being at the high end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors would be approximately 47.0 million Shares, representing approximately (i) 15.7% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 3.9% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 3.8% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

For illustration purpose, all descriptions in this section do not take into account of Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.

To the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules). The Cornerstone

CORNERSTONE INVESTORS

Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will have any representation on the Board or become a substantial Shareholder of our Company upon completion of the Share Offer and will not subscribe for any Offer Shares under the Share Offer other than pursuant to the cornerstone investment agreements referred to below.

In the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of the Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, the Sole Global Coordinator, after consulting with and obtaining the consent from our Company, has the right to adjust the allocation of the number of Shares to be purchased by each of the Cornerstone Investors in its sole and absolute discretion to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules.

The Shares to be purchased by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Share Offer — Re-allocation between the International Offering and the Hong Kong Public Offering” in this prospectus.

THE CORNERSTONE INVESTORS

WWPKG

WWPKG has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 10,000 Shares) which may be purchased with an aggregate amount of approximately HK\$10.0 million.

Assuming an Offer Price of HK\$0.302 (being the Offer Price after the Downward Offer Price Adjustment of approximately 10% set out in this prospectus), the total number of Shares to be subscribed by WWPKG would be approximately 33.1 million Shares, representing approximately (i) 11.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.8% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 2.7% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.335 (being at the low end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by WWPKG would be approximately 29.9 million Shares, representing approximately (i) 10.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.5% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 2.4% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.38 (being at the approximate mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by WWPKG would

be approximately 26.3 million Shares, representing approximately (i) 8.8% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.2% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 2.1% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.425 (being at the high end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by WWPKG would be approximately 23.5 million Shares, representing approximately (i) 7.8% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.0% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 1.9% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

WWPKG is a company incorporated in the Cayman Islands with limited liability and the shares of which is listed on GEM of the Stock Exchange (stock code 8069). WWPKG and its subsidiaries market travel related products under the brand “縱橫遊” and are principally engaged in the business of (i) the design, development and sales of outbound package tours; (ii) the sales of air tickets and hotel accommodations; and (iii) the provision of ancillary travel related products and services. The major business of the group of companies is the provision of outbound package tours to various destinations with particular focus on Japan bound tours.

Mr. Duncan Chiu

Mr. Chiu has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 10,000 Shares) which may be purchased with an aggregate amount of approximately HK\$10.0 million.

Assuming an Offer Price of HK\$0.302 (being the Offer Price after the Downward Offer Price Adjustment of approximately 10% set out in this prospectus), the total number of Shares to be subscribed by Mr. Chiu would be approximately 33.1 million Shares, representing approximately (i) 11.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.8% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 2.7% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.335 (being at the low end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by Mr. Chiu would be approximately 29.9 million Shares, representing approximately (i) 10.0% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.5% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 2.4% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.38 (being at the approximate mid-point of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by Mr. Chiu would be approximately 26.3 million Shares, representing approximately (i) 8.8% of the Offer Shares,

CORNERSTONE INVESTORS

assuming that the Over-allotment Option is not exercised; (ii) 2.2% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 2.1% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Assuming an Offer Price of HK\$0.425 (being at the high end of the Offer Price range set out in this prospectus), the total number of Shares to be subscribed by Mr. Chiu would be approximately 23.5 million Shares, representing approximately (i) 7.8% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.0% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is not exercised; and (iii) 1.9% of the Shares in issue upon completion of the Share Offer and assuming that the Over-allotment Option is fully exercised.

Mr. Duncan Chiu has extensive experience in investment and merger and acquisition. Mr. Chiu is the managing director of Radiant Venture Capital which focuses in early stage investments into technology startups. Mr. Chiu is the president of Hong Kong Information Technology Joint Council and Group 30 Vice-Chairman (Innovation & Creative Industries Council) of Federation of Hong Kong Industries. Mr. Chiu was also directors of various listed companies in Hong Kong, among others, Chinasoft International Limited (stock code: 354) and Lajin Entertainment Network Group Limited (formerly known as Golife Concepts Holdings Limited) (stock code: 8172).

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the Underwriting Agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters);
- (c) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investors pursuant to the cornerstone investment agreements as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Share Offer or in the cornerstone investment agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

CORNERSTONE INVESTORS

- (e) the respective representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Shares they have purchased pursuant to the relevant cornerstone investor agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

The following is a description of the authorized and issued Share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the Share Offer (taking into no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme):

| Authorized share capital: | | <i>HK\$</i> |
|---|---|------------------|
| <u>90,000,000,000</u> | Shares of HK\$0.0001 each | <u>9,000,000</u> |
| Issued and to be issued, fully paid or credited as fully paid: | | |
| 900,000,000 | Shares in issue as of the date of this prospectus | 90,000 |
| <u>300,000,000</u> | Shares to be issued pursuant to the Share Offer | <u>30,000</u> |
| <u>1,200,000,000</u> | Total | <u>120,000</u> |

ASSUMPTIONS

The above table assumes that the Share Offer becomes unconditional and the issue of Shares pursuant to the Share Offer are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (1) 20% of the total number of Shares in issue immediately following the completion of the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (2) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

SHARE CAPITAL

Our Directors may, in addition to the Shares which they are authorized to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "A. Further information about our Group — 6. Repurchases of our Shares" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its articles of association to hold its next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in the section headed "A. Further information about our Group — 3. Resolutions in writing of the Shareholders of our Company" in Appendix IV to this prospectus.

SHARE CAPITAL

SHARE OPTION SCHEME

Pursuant to the written resolutions of our Shareholders dated May 7, 2018, we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the section headed “D. Other information — 1. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary shareholders’ resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem its share capital by shareholders’ special resolution. For more details, please see the section headed “2. Articles of Association — 2.1 Shares — (c) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Cayman Islands Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, please see the section headed “2. Articles of Association — 2.1 Shares — (b) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 <i>(HK\$'000)</i> | 2016 <i>(HK\$'000)</i> | 2017 <i>(HK\$'000)</i> |
| Revenue | 136,196 | 153,164 | 153,862 |
| Cost of sales | <u>(55,578)</u> | <u>(54,025)</u> | <u>(55,714)</u> |
| 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 | <u>(31,683)</u> | <u>(34,692)</u> | <u>(61,314)</u> |
| Operating profit | 34,176 | 48,354 | 18,358 |
| Finance income | 198 | 527 | 554 |
| Finance costs | (14) | (819) | (1,015) |
| Finance income/(costs), net | <u>184</u> | <u>(292)</u> | <u>(461)</u> |
| Profit before income tax | 34,360 | 48,062 | 17,897 |
| Income tax expense | <u>(8,871)</u> | <u>(13,064)</u> | <u>(5,532)</u> |
| Profit for the year | <u>25,489</u> | <u>34,998</u> | <u>12,365</u> |
| Other comprehensive income/(loss) | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| — <i>Currency translation differences</i> | 8,543 | (1,622) | (761) |
| Other comprehensive income/(loss) for the year, net of tax | <u>8,543</u> | <u>(1,622)</u> | <u>(761)</u> |
| Total comprehensive income for the year attributable to owners of our Company | <u>34,032</u> | <u>33,376</u> | <u>11,604</u> |
| 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) | <u>25,489</u> | <u>34,998</u> | <u>26,750</u> |

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.

FINANCIAL INFORMATION

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 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| 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 |

FINANCIAL INFORMATION

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 |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| 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 |
| <i>Representing:</i> | | | |
| — 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,

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

(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.

FINANCIAL INFORMATION

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 | |
| | <i>Gross sales proceeds (HK\$'000)</i> | % | <i>Gross sales proceeds (HK\$'000)</i> | % | <i>Gross sales proceeds (HK\$'000)</i> | % |
| 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.

FINANCIAL INFORMATION

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 | |
| | <i>Gross sales proceeds HK\$'000</i> | % | <i>Gross sales proceeds HK\$'000</i> | % | <i>Gross sales proceeds HK\$'000</i> | % |
| 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

FINANCIAL INFORMATION

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 <i>(HK\$'000)</i> | 2016 <i>(HK\$'000)</i> | 2017 <i>(HK\$'000)</i> |
| 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 | <u>21,183</u> | <u>23,968</u> | <u>28,849</u> |

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 | |
| | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % | <i>HK\$'000</i> | % |
| 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 | <u>55,578</u> | <u>100.0</u> | <u>54,025</u> | <u>100.0</u> | <u>55,714</u> | <u>100.0</u> |

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

FINANCIAL INFORMATION

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 | |
| | <i>Gross profit</i> | <i>margin</i> | <i>Gross profit</i> | <i>margin</i> | <i>Gross profit</i> | <i>margin</i> |
| | <i>HK\$'000</i> | <i>%</i> | <i>HK\$'000</i> | <i>%</i> | <i>HK\$'000</i> | <i>%</i> |
| 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 | <u>80,618</u> | <u>59.2</u> | <u>99,139</u> | <u>64.7</u> | <u>98,148</u> | <u>63.8</u> |

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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 <i>(Note)</i> | 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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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:

| | <u>For the year ended December 31,</u> | | |
|---|--|---------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| 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 | <u>184</u> | <u>(292)</u> | <u>(461)</u> |

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.

FINANCIAL INFORMATION

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:

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

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

Cash flow

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

| | Year ended December 31, | | |
|---|--------------------------------|----------------------|----------------------|
| | 2015 | 2016 | 2017 |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| 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 | <u>49,030</u> | <u>71,160</u> | <u>65,417</u> |

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 |
|--|--------------------|-------------------|-------------------|---|
| | 2015 | 2016 | 2017 | April 30, 2018 |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> <i>(Unaudited)</i> |
| 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 |
| | <u>83,181</u> | <u>159,208</u> | <u>181,528</u> | <u>215,408</u> |
| 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 | — | — |
| | <u>121,821</u> | <u>137,165</u> | <u>132,069</u> | <u>166,003</u> |
| Net current (liabilities)/assets | <u>(38,640)</u> | <u>22,043</u> | <u>49,459</u> | <u>49,405</u> |
| 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

FINANCIAL INFORMATION

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 (HK\$'000) | 2016 (HK\$'000) | 2017 (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

FINANCIAL INFORMATION

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 |
| | <u>21,346</u> | <u>25,453</u> | <u>28,228</u> |

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

FINANCIAL INFORMATION

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:

| | <u>For the year ended December 31,</u> | | |
|---|--|-------------|-------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Trade receivables turnover days ^(Note) | <u>40.9</u> | <u>55.9</u> | <u>63.7</u> |

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.

FINANCIAL INFORMATION

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:

| <u>Overdue</u> | As of December 31, | | |
|-------------------|--------------------|------------|------------|
| | 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.

FINANCIAL INFORMATION

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 <i>(Note)</i> | 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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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:

| | <u>Year ended December 31,</u> | | |
|--|--------------------------------|-------------|-------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| 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.

| | <u>As of December 31,</u> | | |
|---------------|---------------------------|-------------------|-------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> | <i>(HK\$'000)</i> |
| 0 to 30 days | 109 | 6 | 24 |
| 31 to 60 days | — | — | 1 |
| 61 to 90 days | — | — | — |
| Over 90 days | — | — | — |
| | <u>109</u> | <u>6</u> | <u>25</u> |

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

Amounts due from/(to) related companies

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

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

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.

FINANCIAL INFORMATION

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 |
| | <i>(HK\$ '000)</i> | <i>(HK\$ '000)</i> | <i>(HK\$ '000)</i> | <i>(HK\$ '000)</i> <i>(Unaudited)</i> |
| Interest-bearing bank loans | | | | |
| <i>CAD denominated</i> | | | | |
| — Current | — | — | 37,243 | 36,579 |
| <i>USD denominated</i> | | | | |
| — 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 |
| | <i>(HK\$ '000)</i> | <i>(HK\$ '000)</i> | <i>(HK\$ '000)</i> | <i>(HK\$ '000)</i> <i>(Unaudited)</i> |
| 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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 |
| | <u>6,885</u> | <u>5,873</u> | <u>3,868</u> |

FINANCIAL INFORMATION

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 procure 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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 |
| 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.*

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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

FINANCIAL INFORMATION

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) |

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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 |
|---|--|--|--|---|
| | <i>Note 1</i> (HK\$'000) | <i>Note 2</i> (HK\$'000) | (HK\$'000) | <i>Note 3</i> (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.

FINANCIAL INFORMATION

- (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.

FUTURE PLANS AND USE OF PROCEEDS

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

FUTURE PLANS AND USE OF PROCEEDS

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.

FUTURE PLANS AND USE OF PROCEEDS

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;

FUTURE PLANS AND USE OF PROCEEDS

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

| | <u>Implementation plan</u> | <u>Use of proceeds</u> |
|--|---|--------------------------------|
| Repayment of bank loan | <ul style="list-style-type: none">• Repayment of bank loan in the amount of HK\$24.1 million | Approximately HK\$24.1 million |
| Expand our air ticket distribution business | <ul style="list-style-type: none">• 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 | <ul style="list-style-type: none">• 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 |

FUTURE PLANS AND USE OF PROCEEDS

From January 1, 2019 to December 31, 2019

| | <u>Implementation plan</u> | <u>Use of proceeds</u> |
|--|---|--------------------------------|
| Expand our air ticket distribution business | <ul style="list-style-type: none"> ● Identify and engage suitable external IT consultant(s) to design and develop tailor-made booking platforms and mobile application in simplified and traditional Chinese ● 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 ● Identify and rent premises for setting up one regional office in Manitoba, enter into tenancy agreement and pay rental deposit and leasehold improvement | Approximately HK\$11.3 million |
| Expand our travel business process management business | <ul style="list-style-type: none"> ● Recruit five back office staff who will be responsible for customer support including handling phone enquiries, ticket booking, exchange and refund. ● 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 ● Maintain the cost of additional staff | Approximately HK\$1.6 million |
| Upgrade our existing IT systems | <ul style="list-style-type: none"> ● Evaluate our existing IT systems and our needs and specifications ● Upgrade our IT infrastructure including electronic documentation system, cloud database hosting system, information technology network, computer system and information security system ● Identify and engage suitable external IT consultant(s) to design and develop an ERP system | Approximately HK\$4.9 million |

FUTURE PLANS AND USE OF PROCEEDS

| | Implementation plan | Use of proceeds |
|----------------------------------|---|--------------------------------|
| Strengthen our marketing efforts | <ul style="list-style-type: none"> ● 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 ● Organize seminars and conferences to solidify our relationship with existing customers and attract new potential customers ● Conduct digital marketing activities directly and/or indirectly through third party marketing agency(ies) | 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"> ● Testing and implementation of tailor-made booking platforms and mobile application in simplified and traditional Chinese ● Identify and rent premises for setting up one regional office in Nova Scotia, enter into tenancy agreement and pay rental deposit and leasehold improvement ● Full run of our professional project management system and further integrate our mid-office and back office ● Running cost of Nova Scotia branch office | Approximately HK\$3.5 million |
| Expand our travel business management business | <ul style="list-style-type: none"> ● 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 | Approximately HK\$5.7 million |

FUTURE PLANS AND USE OF PROCEEDS

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

FUTURE PLANS AND USE OF PROCEEDS

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.

FUTURE PLANS AND USE OF PROCEEDS

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.

FUTURE PLANS AND USE OF PROCEEDS

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.

UNDERWRITING

HONG KONG UNDERWRITERS

Sole Global Coordinator

Lego Securities Limited

Joint Bookrunners

Lego Securities Limited
Kingsway Financial Services Group Limited

Joint Lead Managers

Kingsway Financial Services Group Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Pacific Foundation Securities Limited
Future Land Resources Securities Limited
VMS Securities Limited

Co-Manager

AMC Wanhai Securities Limited

UNDERWRITING ARRANGEMENTS, COMMISSIONS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 30,000,000 new Shares at the Offer Price under the Hong Kong Public Offering for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Committee and certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly nor jointly and severally, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offering Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice in writing to our Company to terminate the

UNDERWRITING

Hong Kong Underwriting Agreement with immediate effect, if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (a) there has come to the notice of the Sole Sponsor and/or the Sole Global Coordinator:
 - (i) any statement contained in this prospectus and the Application Forms, the post hearing information pack, the formal notice, any submission, document or information provided to the Sole Sponsor and/or the Sole Global Coordinator and any announcement or document issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Relevant Documents**”) which, considered by the Sole Sponsor and/or the Sole Global Coordinator in its/their sole and absolute opinion was, when it was issued, or has become, or been discovered to be untrue, incorrect, inaccurate or misleading in any material respect or any expression of opinion, intention or expectation contained in any such document is not, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Global Coordinator, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (ii) any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Global Coordinator, a material omission from the Relevant Documents in the context of the Share Offer; or
 - (iii) either (1) there has been a breach of any of the representations, warranties and undertakings or any other provisions set out in the Hong Kong Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters); or (2) any matter or event showing or rendering any of the representations, warranties and undertakings or any other provisions set out in the Hong Kong Underwriting Agreement, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Global Coordinator, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of our Controlling Shareholders and our executive Directors pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement or the Hong Kong Public Offering to be performed or implemented as envisaged; or
 - (v) any event, series of events, matter or circumstance occurs or arises on or after the date of the Hong Kong Underwriting Agreement and prior to 8:00 a.m. (Hong Kong time) on the Listing Date, being an event, a series of events, matter or circumstance which, if it had occurred before the date of the Hong Kong Underwriting Agreement, would have rendered any of the representations, warranties or undertakings set out in the Hong Kong Underwriting Agreement, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Global

UNDERWRITING

- Coordinator, untrue, incorrect, inaccurate or misleading in any material respect;
or
- (vi) approval by the Stock Exchange for the listing of, and permission to deal in, the Shares (including any additional Shares that may be issued upon the exercise of the Over-allotment Option) is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) our Company withdraws any of the Relevant Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Share Offer; or
 - (viii) any person (other than the Sole Sponsor, the Sole Global Coordinator and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to the issue of any of the Relevant Documents with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labor disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of infectious diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions (as defined below); or
 - (ii) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or general fund raising environment in Hong Kong or elsewhere or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the United States

UNDERWRITING

dollar against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting any of the Relevant Jurisdictions (as defined below); or

- (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, Canada, the United States, the Cayman Islands or the BVI or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
- (iv) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (v) any change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in or affecting any of the Relevant Jurisdictions; or
- (vi) any change or development involving a prospective change, or a materialization of, any of the risks in the section headed “Risk Factors” in this prospectus; or
- (vii) any litigation or claim of material importance being instigated or threatened against any member of our Group or any executive Director; or
- (viii) an executive Director being charged with an indictable offense or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (ix) the commencement by any governmental, judicial, regulatory or political body or organization of any investigation or other action against an executive Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organization that it intends to take any such action; or
- (x) any contravention by any member of our Group or any executive Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Islands Companies Law, the relevant corporate laws and securities laws of Canada, the relevant corporate laws of the State of New York, the Listing Rules, the SFO or any applicable laws and regulations; or
- (xi) any prohibition on our Company for whatever reason from offering, allotting or issuing any of the Offer Shares and/or the additional Shares that may be issued upon the exercise of the Over-allotment Option pursuant to the terms of the Hong Kong Public Offering and/or the Share Offer; or

UNDERWRITING

- (xii) non-compliance by any member of our Group or any executive Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Hong Kong Public Offering and/or the Share Offer with the Listing Rules or any other applicable laws and regulations; or
- (xiii) other than with the written approval of the Sole Sponsor and/or the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any other applicable laws and regulations; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xv) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xvi) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group; or
- (xvii) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of Controlling Shareholders or any composition or arrangement made by any member of our Group or any of the Controlling Shareholders with its creditors or enters into a scheme of arrangement, or any resolution being or having been passed for the winding-up of any member of our Group or any of the Controlling Shareholders or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or any of the Controlling Shareholders or any analogous matter thereto occurs in respect of any member of our Group or any of the Controlling Shareholders; or
- (xviii) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (xix) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,

UNDERWRITING

and which in each case or in aggregate in the sole and absolute opinion of the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and after consultation with our Company:

- (A) is or may have or will have a materially adverse effect on the general affairs, management, business, financial, trading or other conditions or prospects of our Group taken as a whole; or
- (B) has or may have or will have a material adverse effect on the success or indication of level of interest in the Share Offer; or
- (C) makes or may make it inadvisable or inexpedient to proceed with the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by the Underwriting Agreements, this prospectus and the Application Forms; or
- (D) has or may or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Hong Kong Underwriting Agreement or which has a material impact on the obtaining of the listing approval from the Listing Committee by our Company.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors, have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Undertakings

Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally (and not jointly nor jointly and severally) agreed and undertaken with our Company that:

1. they will not offer the Hong Kong Offer Shares to a person who is known to the Hong Kong Underwriters to be a person in Canada or a resident of Canada, except pursuant to a prospectus or a prospectus exemption under the Canadian securities laws;
2. they will provide a written acknowledgement to our Company at the date on which the application lists close in accordance with this prospectus, which is expected to be on Thursday, June 21, 2018; which certifies that: (a) they have not actively solicited any investment from a person in Canada or a resident of Canada in connection with the Hong Kong Public Offering; and (b) to the best of their knowledge, none of their representatives have sold any Hong Kong Offer Shares issued pursuant to the Share Offer to a person in Canada or a resident of Canada;
3. a confirmation slip will be procured to be despatched by the Hong Kong Underwriters to each successful subscriber of the Hong Kong Offer Shares on Wednesday, June 27,

UNDERWRITING

2018 and such confirmation slip will include a statement that it is the Hong Kong Underwriters' understanding that the subscriber is not a person in Canada or a resident of Canada;

4. the distribution of the Hong Kong Offer Shares will be conducted by way of the Hong Kong Public Offering in Hong Kong only; and
5. successful subscribers outside Canada will be given notice that their subscription of the Hong Kong Offer Shares will be deemed to constitute a representation and warranty, that they are purchasing with an investment intent and not with a view to distribution and they will not resell the Hong Kong Offer Shares to a person they actually know to be in Canada or a resident of Canada or to a person involved in a scheme to redistribute the Hong Kong Offer Shares to the foregoing.

International Underwriters' Undertakings

The International Underwriters will be required to give similar undertakings as those given by the Hong Kong Underwriters under the Hong Kong Underwriting Agreement with necessary amendments.

Lock-up undertakings

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to and covenanted with the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that our Company shall not, and each of our executive Directors and Controlling Shareholders has jointly and severally undertaken to and covenanted with the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) that he/she/it shall procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except for the issue of Shares under the Share Offer, the exercise of the Over-allotment Option, the grant of any option under the Share Option Scheme, or the allotment and issue of Shares upon exercise of any option granted under the Share Option Scheme:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or

UNDERWRITING

that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and

- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company so as to result in any of our Controlling Shareholders ceasing to be a controlling shareholder (as defined in the Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, he/she/it shall not, and shall procure the relevant registered holder(s) and his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it not to:

- (i) at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by him/her/it or any of his/her/its close associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it; and
- (ii) at any time during the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of our Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company,

and in the event that he/she/it enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), he/she/it shall take all reasonable steps to ensure that any such transaction,

UNDERWRITING

agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that:

- (i) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Shares or other securities of our Company at any time during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date on which the Second Six-month Period expires, he/she/it must inform our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) immediately thereafter; and
- (ii) having pledged or charged any of his/her/its interests in the Shares or other securities of our Company under sub-paragraph (i) above, he/she/it must inform our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

Undertakings by Ms. Tsu

Ms. Tsu has undertaken to and covenanted with each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, she shall not, and shall procure her close associates or companies controlled by her or any nominee or trustee holding in trust for her not to, at any time during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Shares held by her or any of her close associates or companies controlled by her or any nominee or trustee holding in trust for her.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 10.08(1) to (5) of the Listing Rules.

UNDERWRITING

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to our Company and the Stock Exchange that, except pursuant to the Share Offer, he/she/it shall not and shall procure that the relevant registered holder(s) shall not:

- (i) at anytime during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); and
- (ii) at anytime during the period of the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in sub-paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our Controlling Shareholder.

Each of our Controlling Shareholders has further undertaken to and covenanted with our Company and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (i) when he/she/it pledges or charges any securities in our Company beneficially owned by it in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and
- (ii) when he/she/it receives indications, either verbal or written, from the pledgee or charge that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

Undertaking by Ms. Tsu

Pursuant to Rule 10.07(1) of the Listing Rules, Ms. Tsu has undertaken to our Company and the Stock Exchange that, except pursuant to the Share Offer, she shall not and shall procure that the relevant registered holder(s) shall not, at anytime during the First Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which she is shown by this prospectus to be the beneficial owner(s).

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters mentioned in the paragraphs above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of announcement in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

Our Company, our Controlling Shareholders and our executive Directors have agreed to indemnify the Hong Kong Underwriters from certain losses which they may suffer, including

UNDERWRITING

losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company or our Controlling Shareholders or our executive Directors of the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, it is expected that our Company and the covenantors to be named therein (namely our Controlling Shareholders and our executive Directors) will enter into the International Underwriting Agreement with, among others, the Sole Sponsor, the Sole Global Coordinator and the International Underwriters on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to agree to act as an agent of our Company to procure subscribers for the International Offering Shares initially offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Share Offer will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Underwriting arrangements, commissions and expenses — Lock-up undertakings — Undertakings pursuant to the Hong Kong Underwriting Agreement” in this section.

Commission and expenses

In connection with the Share Offer, the Hong Kong Underwriters will, and the International Underwriters are expected to, receive an underwriting commission of 10.0% of the aggregate Offer Price payable for the Offer Shares according to the arrangement of the Underwriting Agreements, out of which they will pay any sub-underwriting commissions. In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee. In addition, our Company may also, conditional upon completion of the Share Offer, at its sole and absolute discretion pay to the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) an additional discretionary bonus for its service and/or performance in such amount as our Company in its sole and absolute discretion determine.

For any Offer Shares re-allocated from the Hong Kong Public Offering to the International Offering or re-allocated from the International Offering to the Hong Kong Public Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the International Underwriters.

The total commission and expenses relating to the Share Offer and the Listing (including the listing fees, legal and other professional fees, and printing) are estimated to be approximately HK\$58.3 million, assuming the Over-allotment Option is not exercised and based on an Offer

UNDERWRITING

Price of HK\$0.38, being the mid-point of the indicative Offer Price range, which will be payable by our Company.

SOLE GLOBAL COORDINATOR'S AND UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, none of the Sole Global Coordinator and the Underwriters has any shareholding interests in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any share in any member of our Group nor any interest in the Share Offer.

SOLE SPONSOR'S INTERESTS AND INDEPENDENCE

Save as provided for under the Underwriting Agreements and save as disclosed in this prospectus, neither the Sole Sponsor nor any of its directors, employees and close associates is interested legally or beneficially in the shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer or has any other business relationship with our Group.

Neither the Sole Sponsor nor any of its directors, employees and close associates who is involved in providing advice to our Company has accrued any material benefit as a result of the successful outcome of the Share Offer, other than by way of documentation and financial advisory fee to be paid to the Sole Sponsor for acting as the sponsor of the Share Offer, the Sole Global Coordinator will receive on underwriting commission and compliance advisor fee to be paid to the Sole Sponsor for acting as our Company's compliance advisor pursuant to Rule 3A.19 of the Listing Rules.

None of the directors and employees of the Sole Sponsor has any directorship in our Company or any other companies comprising our Group.

The Sole Sponsor satisfies the independence criteria applicable to the Sole Sponsor as set out in Rule 3A.07 of the Listing Rules.

CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN RELATION TO THE SHARE OFFER

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

As of the date of this prospectus, the following summary describes the principal Canadian federal income tax considerations under the ITA to a holder of Shares who, for purposes of the ITA and any applicable income tax treaty or convention, and at all relevant times, (i) is neither resident nor deemed to be resident in Canada, (ii) deals at arm's length and is not affiliated with our Company, (iii) holds the Shares as capital property, (iv) does not use or hold, and is not deemed to use or hold, the Shares in, or in the course of, carrying on a business in Canada, (v) has not acquired the Shares in one or more transactions considered to be an adventure or concern in the nature of trade, (vi) does not hold Shares as part of the business property of a permanent establishment in Canada and (vii) is not a foreign affiliate of a taxpayer resident in Canada. A holder of Shares that meets all of the foregoing requirements is referred to in this summary as a **"Non-Resident Shareholder"**, and this summary only addresses such Non-Resident Shareholders. In addition, this discussion does not apply to an insurer that carries on business in Canada and elsewhere, an "authorized foreign bank", a "financial institution", a "specified financial institution", an entity an interest in which is a "tax shelter investment" (all as defined in the ITA), or any other holder of special status or in special circumstances.

This summary is based on the facts set out in this prospectus, the provisions of the ITA and the regulations thereunder (the **"Regulations"**) in force on the date hereof and our understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date hereof. It also takes into account all specific proposals to amend the ITA and the Regulations publicly announced by or on behalf of the Canadian Minister of Finance prior to the date hereof. The summary does not otherwise take into account or anticipate any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial action or decision, nor does it take into account any other federal, provincial or foreign income tax considerations, which may differ significantly from those discussed herein. The summary also assumes that our Company and BVTEHU will at all relevant times be considered residents of Canada for purposes of the ITA, although no assurance in this regard can be given. Please also refer to the paragraph headed "Canadian Tax Residence Matters" in this section below, and the section headed "Risk Factors — Risks relating to conducting business in Canada — Our Company is subject to Canadian taxation, and would be subject to adverse Canadian tax results if it ever ceases to be resident in Canada" in this prospectus.

For ITA purposes, each amount relating to the acquisition, holding or disposition of the Shares must be converted to Canadian dollars using the rate quoted by the Bank of Canada at noon on the particular day for the exchange of the particular currency to Canadian currency or using such other rate that is acceptable to the CRA, on the effective date that the amount first arose.

This discussion is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Shares. Moreover, the income or other tax consequences of acquiring, holding or disposing of Shares will vary depending on the holder's particular circumstances, including the jurisdiction or jurisdictions in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Shares, including Non-Resident Shareholders as defined above. All investors,

CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN RELATION TO THE SHARE OFFER

including Non-Resident Shareholders as defined above, should consult their own tax advisors for advice with respect to the tax consequences of an investment in Shares based on their particular circumstances.

Canadian Tax Residence Matters

Our Company was incorporated under the laws of the province of Ontario, and continued and redomiciled under the laws of the Cayman Islands. For purposes of the ITA, our Company is generally considered to remain a resident of Canada so long as the “mind and management” of our Company remains in Canada. Similarly, BVTEHU was incorporated under the laws of the province of Ontario, and continued and redomiciled under the laws of the BVI, but is generally considered to remain a resident of Canada for purposes of the ITA so long as its “mind and management” also remains in Canada. As such, our Company and BVTEHU will be subject to Canadian taxation under the ITA in the same manner as any other corporation resident in Canada, including by being subject to full Canadian taxation on worldwide income. If our Company or BVTEHU at any time becomes a non-resident of Canada for purposes of the ITA, certain adverse “departure taxes” would arise. This result would be triggered if the “mind and management” of our Company or of BVTEHU shifts to a significant extent outside of Canada (which can occur, for example, if a majority of the Board consists of nonresident Directors who meet and make decisions outside of Canada). If our Company (or BVTEHU) at any time do become a non-resident of Canada, the so-called “departure taxes” would generally-speaking include (i) a deemed disposition of all assets owned by our Company (and/or by BVTEHU, as the case may be) for deemed proceeds equal to fair market value, triggering any inherent gains and subjecting them to Canadian taxation (for this purpose, such inherent gains could also be expected to include all inherent gain attributable to the indirectly-held operating entities, Tour East Canada and Tour East New York), and (ii) an additional special tax based on the extent to which such fair market value of our Company’s assets (and/or BVTEHU’s assets, respectively) exceeds the “paid up capital” of the outstanding shares and most debt owed by the relevant entity at such time. A full discussion of the “departure taxes”, and the concept of “mind and management” for purposes of the ITA, is beyond the scope of this summary. Please also refer to section headed “Risk Factors — Risks relating to conducting business in Canada — Our company is subject to Canadian taxation, and would be subject to adverse Canadian tax results if it ever ceases to be resident in Canada” in this prospectus.

Dividends on Shares

Dividends paid or credited or deemed to be paid or credited on the Shares to a Non-Resident Shareholder will be subject to a Canadian non-resident withholding tax at a rate of 25%.

The non-resident withholding tax of 25% applicable to dividends may be reduced by virtue of the provisions of an applicable income tax treaty or convention between Canada and the country of which the Non-Resident Shareholder is a resident. This non-resident withholding tax rate may be reduced to 15%, for example, for Non-Resident Shareholders entitled to the benefits of the Canada-Hong Kong tax treaty (and provided our Company is a resident of Canada for purposes of such tax treaty at the relevant time). Such persons should consult their own tax advisors with respect to the requirements and timelines applicable to obtaining such non-resident withholding tax reductions.

CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN RELATION TO THE SHARE OFFER

A Non-Resident Shareholder that is entitled to a reduction in the rate of withholding tax will be required to furnish our Company with certain documentation in support of such reduced withholding rate. Generally, in order to qualify for reduced non-resident withholding taxes, due to an applicable income tax treaty, the Non-Resident Shareholder must establish their entitlement for such tax reductions by providing the applicable CRA Form NR301, NR302 and/or NR303 to our Company.

For Non-Resident Shareholders who hold the Shares through CCASS, our Company is not able to ascertain the identities, shareholding percentage and tax residences of these Non-Resident Shareholders due to the inherent characteristics of CCASS. In addition, it is our understanding that CCASS will not be able to provide any supporting documentation in respect of the beneficial holders of the Shares that are on deposit with CCASS. Accordingly, such Non-Resident Shareholders will not be able to substantiate a reduction of the withholding tax at source. However, in certain circumstances, they may be entitled to obtain a refund from the Canadian taxing authority for any excess amount that may be withheld and remitted, by following related procedures. Affected Non-Resident Shareholders should discuss the requirements and related compliance procedures, timelines and costs with their own tax advisors.

Disposition of Shares

A Non-Resident Shareholder will not be subject to tax under the ITA in respect of any capital gain realized by such Shareholder on a disposition of Shares unless the Shares constitute “taxable Canadian property” (as defined in the ITA) of the Non-Resident Shareholder at the time of disposition and the Non-Resident Shareholder is not entitled to relief under an applicable income tax treaty or convention.

As long as the Shares are listed on a designated stock exchange for the purposes of the ITA (which currently includes the Stock Exchange) at the time of disposition, the Shares generally will not constitute “taxable Canadian property” of a Non-Resident Shareholder, unless at any time during the 60 month period immediately preceding the disposition, (a) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder did not deal at arm’s length, partnerships in which the Non-Resident Shareholder or such non-arm’s length persons hold an interest directly or indirectly, or the Non-Resident Shareholder together with all such foregoing persons or partnerships, owned 25% or more of the issued shares of any class in the capital of our Company, and (b) more than 50% of the fair market value of the Shares was derived directly or indirectly from one or any combination of: (i) real or immovable property situated in Canada; (ii) Canadian resource properties; (iii) timber resource properties; and (iv) options in respect of or interests in, or for civil law rights in, property described in any of (i) to (iii) above whether or not the property exists. Furthermore, in certain circumstances where property was exchanged for or converted into Shares on a tax-deferred basis, the Shares may also be deemed to be “taxable Canadian property”.

Non-Resident Shareholders whose Shares may constitute “taxable Canadian property” should consult their own tax advisors with respect to the applicable capital gains tax, any potential relief under an applicable income tax treaty or convention, and any related procedures.

CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN RELATION TO THE SHARE OFFER

CANADIAN PROSPECTUS REQUIREMENTS

Pursuant to Canadian securities laws, a trade in securities of an issuer that have not been previously issued constitutes a distribution. Under Canadian securities laws, no person or company shall trade in a security if the trade would be a distribution unless a prospectus has been filed and receipted or there is a relevant exemption from the prospectus requirements.

OSC Rule 72-503 — *Distributions Outside of Canada*, came into force on March 31, 2018 in the Province of Ontario. This rule codifies a prospectus exemption for distributions of securities to persons or companies outside Canada, if at the time of distribution, the issuer has filed an offering document that qualifies, registers, or permits the public offering of those securities in accordance with the securities laws of a specified foreign jurisdiction and, if required, a receipt or similar acknowledgement or approval or clearance has been obtained for the offering document in the specified foreign jurisdiction. Hong Kong is classified as a specified foreign jurisdiction.

The rule reflects the principle that in circumstances of a foreign distribution where no securities come to rest in Canada, the Canadian prospectus requirements should not be triggered. The OSC has provided, in the companion policy to the rule, a list of measures that it expects persons involved in the foreign distribution to take to help in ensuring that no securities in the foreign distribution come to rest in Canada.

Our Company will take the following measures to help ensure the securities will not come to rest in Ontario in the Share Offer:

- (a) the disclosure in this prospectus and the Application Forms clearly states that the Offer Shares have not been qualified for distribution in Canada and may not be sold during the course of their distribution to a person in Canada or a resident of Canada except pursuant to a Canadian prospectus or prospectus exemption under the Canadian securities laws;
- (b) the Hong Kong Underwriting Agreement restricts the issue and allotment of Offer Shares under the Hong Kong Public Offering to a person who is known to the Hong Kong Underwriters to be a person in Canada or a resident of Canada, except pursuant to a prospectus or a prospectus exemption under the Canadian securities laws;
- (c) the Hong Kong Underwriting Agreement provides that a written acknowledgement of the Hong Kong Underwriters will be provided to our Company at the date on which the application lists close in accordance with this prospectus, which is expected to be on Thursday, June 21, 2018; which certifies that:
 - 1. they have not actively solicited investment from a person in Canada or a resident of Canada in connection with the Hong Kong Public Offering; and
 - 2. to the best of their knowledge, none of their representatives have sold any Hong Kong Offer Shares issued pursuant to the Hong Kong Public Offering to a person in Canada or a resident of Canada;

CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN RELATION TO THE SHARE OFFER

- (d) the Hong Kong Underwriting Agreement provides that the Hong Kong Underwriters will procure the despatch of a confirmation slip to each successful subscriber for the Hong Kong Offer Shares on Wednesday, June 27, 2018 and such confirmation slip will include a statement that it is the Hong Kong Underwriters' understanding that the subscriber is not a person in Canada or a resident of Canada;
- (e) the Hong Kong Underwriting Agreement provides that the distribution of the Hong Kong Offer Shares will be conducted by way of the Hong Kong Public Offering in Hong Kong only and accordingly, it is reasonable to expect that a trading market for the Offer Shares outside Canada will develop;
- (f) the Hong Kong Underwriting Agreement provides that the successful subscribers outside Canada will be given notice that their subscription of the Hong Kong Offer Shares will be deemed to constitute a representation and warranty, that they have purchased with investment intent and not with a view to distribution and they will not immediately resell the Hong Kong Offer Shares to a person they actually know to be in Canada or a resident of Canada or to a person involved in a scheme to redistribute the Hong Kong Offer Shares to the foregoing; and
- (g) the International Underwriting Agreement will contain similar provisions as set out in (b) to (f) above, and references to "Hong Kong Underwriting Agreement", "Hong Kong Underwriters", "Hong Kong Public Offering" and "Hong Kong Offer Shares" will become "International Underwriting Agreement", "International Underwriters", "International Offering" and "International Offer Shares" respectively.

As our Company has or will implement each item set forth above, our Company has no reasonable basis on which to conclude any Offer Share will come to rest in Ontario. Accordingly, it is our Company's belief that the Share Offer will not trigger the prospectus requirements in Ontario, and we understand that securities practitioners in Ontario take the same view for these types of situations where reasonable precautions are taken to ensure securities do not come to rest in Ontario.

Canadian Resale Restrictions

Certain Canadian persons own Shares that were issued by our Company as part of the Reorganization and prior to the Share Offer. The Shares were issued to the Canadian persons pursuant to applicable prospectus exemptions under Canadian securities laws.

After the completion of the Share Offer, two of the Canadian holders, Mrs. Tsang and Ms. Tsu, will be "control persons" under Canadian securities laws as each controls over 20% of the issued and outstanding Shares. Additionally, a Canadian holder holding less than 20% of the Shares, such as Dr. Chu, may also be deemed as a "control person" if he is a member of a combination of persons or companies, who acts in concert by virtue of an agreement, arrangement, commitment or understanding and holds more than 20% of the Shares. This "control person" concept is similar to the model of "substantial shareholders" under Hong Kong laws. However, the reporting requirements and specific regulatory thresholds, amongst other matters, are different for each jurisdiction.

CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN RELATION TO THE SHARE OFFER

A trade in previously issued securities of an issuer from the holdings of any control person constitutes a distribution under Canadian securities laws and thereby triggers the prospectus requirements. In addition, since the Shares issued in connection with the Reorganization were issued pursuant to prospectus exemptions, the first trade of such Shares is deemed to be a distribution unless certain resale hold periods have expired. Typically, such hold periods expire after the issuer becomes public in Canada. The “resale rules” are set forth in National Instrument 45-102 — Resale Restrictions and generally, hold periods under Canadian resale rules do not expire until and unless our Company were to become a “reporting issuer” (public) in Canada.

The Shares issued in Canada prior to the Share Offer are subject to a hold period that constitutes “restricted period” which means until the later of the date of four months and a day following the distribution date and our Company becoming a “reporting issuer” in any jurisdiction of Canada, such Shares are not freely tradable and subject to a hold period. As our Company is not a “reporting issuer” in Canada, any sale or transfer of such Shares must be made pursuant to a prospectus or prospectus exemption as such Shares are subject to a perpetual hold period under Canadian securities laws.

As a method to allow the Canadian shareholders to more easily sell their Shares without having their Shares subject to a perpetual hold period, we expect to prepare and file a form of non-offering Canadian prospectus with the OSC at some future date after the closing of the Share Offer. The non-offering prospectus will not involve selling of any securities to the public. It will, however, provide detailed disclosure about our Company, its business and material facts relating to the securities previously issued, including the Shares. Upon obtaining a receipt for such non-offering prospectus from the OSC, our Company will be deemed to be a “reporting issuer” in Ontario. As a result, the Shares would no longer be subject to a perpetual hold period because the conditions of the resale restrictions will have been met (four months and a day will have elapsed from the distribution date of such Shares). Notwithstanding the foregoing, in the event our Company becomes a “reporting issuer” in Canada and the resale hold periods expire, in situations involving control persons, trades will constitute a distribution as described above and trigger the prospectus requirements or an exemption therefrom.

To assist in upholding the effectiveness of the resale restrictions of the Shares issued to Canadian shareholders, our Company will instruct its Principal Share Registrar and Hong Kong Share Registrar to ensure that all Shares in issue before the Share Offer will remain on the Principal Share Register and will not be entered onto the Hong Kong Share Register until the later of the date that is four months and a day from the distribution date of the Offer Shares and the day our Company becomes a “reporting issuer” in any jurisdiction of Canada. In any event, Canadian shareholders should always obtain Canadian legal advice when selling securities of our Company at the time of resale.

Secondary Market Liability

In Ontario, issuers that have a real and substantial connection to Ontario and have securities publicly listed, including in Hong Kong, can be subject to civil liability for secondary market disclosures pursuant to the relevant provisions of the Securities Act (Ontario).

CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN RELATION TO THE SHARE OFFER

Certain Canadian Reporting Requirements

Continuous Disclosure Obligations of a Reporting Issuer in Canada

As our Company intends to become a “reporting issuer” in Ontario, it will be required to comply with continuous disclosure requirements imposed by Canadian securities legislation, most notably, National Instrument 51-102 — Continuous Disclosure Obligations (“**NI 51-102**”). Furthermore, our Company will be required to set up a profile on the System for Electronic Document Analysis and Retrieval (“**SEDAR**”) for filing of such documentation.

The continuous disclosure obligations include both periodic and timely disclosure requirements. Certain periodic disclosure requirements include financial statements (audited annual and unaudited interim), management’s discussion and analysis to accompany each set of financials, an annual information form, information management circulars with respect to annual and/or special shareholder meetings and filing requirements with respect to voting results of shareholder meetings and constating documents. Timely disclosure requirements are triggered by certain events, including material changes in our Company’s business. A material change is defined as any change in the business, operations or capital of the reporting issuer that would reasonably be expected to have a significant effect on the market price or value of its securities. On the occurrence of a material change, our Company must immediately issue a news release on SEDAR and publicly file a material change report on SEDAR on or before 10 days of the occurrence of the material change. Other timely disclosure requirements include publicly filing material contracts on SEDAR, which are defined as contracts that an issuer or any of its subsidiaries is a party to, that are material to the issuer.

As a “reporting issuer” in Ontario, our Company will also be required to comply with the National Instrument 58-101 — Disclosure of Corporate Governance Practices, which sets out the disclosure obligations regarding corporate governance policies that are required to be described in a management information circular, which is prepared in connection with shareholder meetings.

Insider Reporting Requirements of a Reporting Issuer in Canada

Under Canadian securities laws, a person that constitutes an “insider” may have reporting obligations and be required to file reports reflecting their ownership in securities of a “reporting issuer” in Canada. Such reports are prepared and filed on the System for Electronic Disclosure. Generally, insiders are:

- a director or a chief executive officer, chief financial officer or chief operating officer of the reporting issuer;
- a person or company responsible for a principal business unit, division or function of the reporting issuer; or
- a person or company that has beneficial ownership of, or control or direction over, directly or indirectly, securities of a reporting issuer carrying more than 10% of the voting rights attached to all the reporting issuer’s outstanding voting securities.

**CERTAIN CANADIAN LEGAL AND REGULATORY CONSIDERATIONS IN
RELATION TO THE SHARE OFFER**

A reporting insider must file an insider report in respect of a reporting issuer within 10 calendar days of becoming a reporting insider disclosing his, her or its beneficial ownership of, or control or direction over, whether direct or indirect, securities of the company, and interest in, or right or obligation associated with, a related financial instrument involving a security of the company. Subsequently, a reporting insider must within five calendar days file an insider report disclosing any change in his, her or its beneficial ownership of, or control or direction over, whether direct or indirect, securities of the reporting issuer, and interest in, or right or obligation associated with, a related financial instrument involving a security of the reporting issuer. In circumstances where control persons rely on a particular prospectus exemption to make sales of securities, such subsequent reporting is required to be completed within three days.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. The Share Offer consists of:

- the Hong Kong Public Offering of initially 30,000,000 Shares (subject to reallocation as mentioned below) (representing approximately 10% of the initial total number of the Offer Shares) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- the International Offering of initially 270,000,000 Shares (subject to reallocation and the Over-allotment Option as mentioned below) (representing approximately 90% of the initial total number of the Offer Shares) outside the United States in reliance on Regulation S as described in the paragraph headed “The International Offering” in this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to non-U.S. and non-Canadian institutional, professional and other investors. The International Offering will involve selective marketing of the Offer Shares to institutional and professional investors outside the United States in reliance on Regulation S. In accordance with Regulation S, the Issuer believes that there is no substantial U.S. market interest in the Offer Shares being sold pursuant to the International Offering. The Offer Shares are not qualified for sale in the U.S. or Canada and may not be offered and sold in the U.S. or Canada or to persons ordinarily resident in the U.S. or Canada, directly or indirectly, on behalf of our Company. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed “Pricing and Allocation” in this section.

PRICING AND ALLOCATION

Offer Price

The Offer Price will be not more than HK\$0.425 per Offer Share and is expected to be not less than HK\$0.335 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

Price payable on application for the Hong Kong Offer Shares

Applicants under the Hong Kong Public Offering must pay, on application, the maximum indicative Offer Price of HK\$0.425 per Hong Kong Offer Share plus brokerage fee of 1%, SFC

STRUCTURE OF THE SHARE OFFER

transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$4,292.82 for each board lot of 10,000 Shares. Each Application Form includes a table showing the exact amount payable on certain numbers of Offer Shares. If the Offer Price as finally determined in the manner described below, is less than HK\$0.425 per Hong Kong Offer Share, appropriate refund payments (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants without interest. For further details, please refer to the section headed “How to Apply for Hong Kong Offer Shares — 12. Refund of application monies” in this prospectus.

Determining the Offer Price

The International Underwriters are soliciting from prospective investors the level of indications of interest in acquiring the Shares in the International Offering. Prospective investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around Thursday, June 21, 2018.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Thursday, June 21, 2018 and in any event, no later than Tuesday, June 26, 2018. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

If, for any reason, our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by Tuesday, June 26, 2018, the Share Offer will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Sole Global Coordinator (for itself and on behalf of the Underwriters) considers it appropriate and together with the consent of our Company, the number of Offer Shares being offered under the Share Offer and/or the bottom end of the indicative Offer Price range may be reduced by no more than 10% below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.toureast.com notice of the reduction in the number of Offer Shares being offered under the Share Offer and/or an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such notice will also include

STRUCTURE OF THE SHARE OFFER

confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set forth in this prospectus and any other financial information which may change as a result of such reduction. Such announcement of Downward Offer Price Adjustment will be issued before and separate from the announcement of the results of allocations expected to be announced on Wednesday, June 27, 2018. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this prospectus. If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Share Offer is to proceed and an announcement mentioned hereinabove shall be issued, upon which issue of such a notice and/or announcement, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, offer statistics and any financial or other information in this prospectus which may change as a result of any such reduction. In the absence of any such notice and/or announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, in such cases if the Share Offer is to proceed and the Withdrawal Mechanism will be applied, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering.

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares — 10. Publication of Results” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of applications for the Offer Shares will be conditional upon:

- (i) the Listing Committee granting the listing of, and permission to deal in, on the Stock Exchange, our Shares in issue, any Shares to be issued pursuant to the Share Offer and

STRUCTURE OF THE SHARE OFFER

any Shares which may fall to be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme and any Shares which may be issued pursuant to the exercise of the Over-allotment Option, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

- (ii) the agreement on the final Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company being entered into on or before the Price Determination Date; and
- (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming unconditional (including, if relevant, as a result of a waiver of any condition(s) by the Sole Global Coordinator (for itself and on behalf of the Underwriters)) and not being terminated in accordance with the terms and conditions of the respective agreements,

in each case, on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If any of the above conditions has not been fulfilled or waived prior to the time(s) and date(s) specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be caused to be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.toureast.com the next business day following such lapse. In such event, all application money will be refunded, without interest. The terms on which the application money will be refunded are set forth under "Refund of your money" on the Application Forms. In the meantime, all application money received from the Hong Kong Public Offering will be held in a separate bank account (or separate bank accounts) with the receiving bank or other licensed bank(s) in Hong Kong.

We expect to issue share certificates for the Offer Shares on Wednesday, June 27, 2018. Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Thursday, June 28, 2018 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting arrangements, commissions and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised.

THE HONG KONG PUBLIC OFFERING

Our Company is initially offering 30,000,000 Shares under the Hong Kong Public Offering, at the Offer Price, representing 10% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of a public offer in Hong Kong, subject to the re-allocation as

STRUCTURE OF THE SHARE OFFER

mentioned below and under the Listing Rules. The Hong Kong Public Offering is managed by the Sole Global Coordinator and is fully underwritten by the Hong Kong Underwriters (subject to the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing to the final Offer Price). Applicants for the Hong Kong Offer Shares are required to pay on application the maximum indicative Offer Price of HK\$0.425 per Offer Share plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

For allocation purposes only, the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering) will be divided equally into two pools. Pool A will comprise 15,000,000 Hong Kong Offer Shares and Pool B will comprise 15,000,000 Hong Kong Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage fee, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools; and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. Multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 15,000,000 Hong Kong Offer Shares (being 50% of the initial number of the Hong Kong Offer Shares).

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for the Hong Kong Offer Shares will be required to give an undertaking and confirmation in the Application Form that he has not taken up and will not indicate an interest to take up any International Offer Shares nor otherwise participated in the International Offering. Applicants should note that if such undertaking and/or confirmation given by the applicant is breached and/or is untrue (as the case may be), such applicant's application under the Hong Kong Public Offering is bound to be rejected. The Hong Kong Public Offering will be subject to the conditions stated in the paragraph headed "Conditions of the Share Offer" in this section.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator (for itself and on behalf of the underwriters) has the authority to re-allocate all or any of the unsubscribed Hong Kong Offer Shares originally included in the Hong Kong Public Offering to the International Offering in such number as they deem appropriate to satisfy demand under the International Offering. If the International Offering is not fully subscribed, the Sole Global Coordinator (for itself and on behalf of the underwriters) has the authority to re-allocate all or any of the unsubscribed International Offer Shares originally included in the International Offering to the Hong Kong Public Offering.

STRUCTURE OF THE SHARE OFFER

The total number of the Hong Kong Offer Shares to be allotted and issued may change as a result of the re-allocation as mentioned below.

Basis of allocation of the Hong Kong Offer Shares

When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

THE INTERNATIONAL OFFERING

Our Company is initially offering 270,000,000 Shares at the Offer Price, representing 90% of the total number of the Offer Shares being offered in the Share Offer, for subscription by way of the International Offering, subject to re-allocation as mentioned below and under the Listing Rules. The International Offering is fully underwritten upon and subject to the terms and conditions of the International Underwriting Agreement. Investors subscribing for the International Offer Shares are also required to pay brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. No Offer Shares will be offered to residents of Canada or the U.S. pursuant to the International Offering.

It is expected that the International Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the International Offer Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Offer Shares in the International Offering may also be allocated the International Offer Shares.

All decisions concerning the allocation of the International Offer Shares to prospective places pursuant to the International Offering will be made on the basis of, and by reference to, a number of factors including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is expected or likely to purchase further Shares or hold or sell our Shares after the Listing. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a broad shareholder base for the benefit of our Company and the Shareholders as a whole.

In addition, our Company and the Sole Global Coordinator will use their best endeavors to observe the minimum public float requirement under the Listing Rules when making allocations of the International Offer Shares to investors who are anticipated to have a sizeable demand for such Shares. The International Offering is subject to the Hong Kong Public Offering being unconditional.

STRUCTURE OF THE SHARE OFFER

The total number of the International Offer Shares to be allotted and issued may change as a result of re-allocation mentioned below and/or any re-allocation of the unsubscribed Hong Kong Public Offering to the International Offering as mentioned in the paragraph headed “The Hong Kong Public Offering” in this section.

RE-ALLOCATION BETWEEN THE INTERNATIONAL OFFERING AND THE HONG KONG PUBLIC OFFERING

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

- (a) In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Sole Global Coordinator, at its sole and absolute discretion, may reallocate all or any of the unsubscribed Hong Kong Offer Shares from the Hong Kong Public Offering to the International Offering;
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the initial number of the Hong Kong Offer Shares, then the number of Shares to be reallocated to the Hong Kong Public Offering from the International Offering will increase so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase up to 60,000,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand;
 - (iii) if the number of Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offering from the International Offering will increase so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 90,000,000 Shares, representing 30% of the total number of the Offer Shares available under the Share Offer;
 - (iv) if the number of Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offering from the International Offering will increase so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 120,000,000 Shares, representing 40% of total number of the Offer Shares available under the Share Offer; and
 - (v) if the number of Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the initial number of the Hong Kong Offer Shares, then the number of Shares to be re-allocated to the Hong Kong Public Offering

STRUCTURE OF THE SHARE OFFER

from the International Offering will increase so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase to 150,000,000 Shares, representing 50% of the total number of the Offer Shares available under the Share Offer.

- (b) In the event that the International Offer Shares are undersubscribed under the International Offering:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters; and
 - (ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then the number of Shares to be re-allocated to the Hong Kong Public Offering from the International Offering will increase so that the total number of Shares available for subscription under the Hong Kong Public Offering will increase up to 60,000,000 Shares, representing 20% of the total number of the Offer Shares available under the Share Offer to cover the excess demand.

In addition, the Sole Global Coordinator may, in its sole discretion, allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may be re-allocated as between these offerings at the discretion of the Sole Global Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed, the Sole Global Coordinator has the authority to re-allocate any or all unsubscribed Offer Shares from such offering to the other in such proportions as the Sole Global Coordinator (for itself and on behalf of the Underwriters) deems appropriate.

Details of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Share Offer, which is expected to be published on Wednesday, June 27, 2018.

OVER-ALLOTMENT OPTION

Our Company intends to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters) within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Sole Global Coordinator will have the right to require our Company to allot and issue up to an aggregate of 45,000,000 additional Shares representing in aggregate 15% of the Shares initially being offered under the Share Offer, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Shares allotted and issued will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made in accordance with the Listing Rules.

STRUCTURE OF THE SHARE OFFER

STABILIZATION AND OVER-ALLOTMENT

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

Lego Securities Limited and Kingsway Financial Services Group Limited have been appointed by our Company as the Stabilizing Manager for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Share Offer, Lego Securities Limited and Kingsway Financial Services Group Limited, as the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by the applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Any market purchases of Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirement. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allotted will not exceed the number of Shares that may be issued under the Over-allotment Option, namely, 45,000,000 Shares, which is 15% of the Shares initially available under the Share Offer.

Stabilizing action will be entered into in accordance with the laws, regulations, rules in place in Hong Kong on stabilization and stabilizing action permitted in Hong Kong. Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchase; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in our Shares should note that:

- (i) the Stabilizing Manager, or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the Shares;

STRUCTURE OF THE SHARE OFFER

- (ii) there is no certainty as to the extent to which and the time period for which the Stabilizing Manager, or any person acting for it, will maintain such a position;
- (iii) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the Shares;
- (iv) no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on the last business day immediately before the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this day, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (v) the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by taking of any stabilizing action; and
- (vi) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

In connection with the Share Offer, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 45,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriters), or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements (not involving BVRTH, BVATH or BVDCH) or a combination of these means.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made enabling our Shares to be admitted into CCASS. If Stock Exchange grants the listing of, and permission to deal in, our Shares on the Main Board and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. on Thursday, June 28, 2018. Shares will be traded in board lots of 10,000 Shares each and are fully transferable. The stock code for the Shares is 1620.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator and its respective agent may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a legal or natural person of the PRC; and
- are not a person in Canada or a resident of Canada.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- a director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- a connected person and/or core connected person (as defined in the Listing Rules) of our Company or will become a connected person and/or core connected person of our Company immediately upon completion of the Share Offer; and
- an associate and/or a close associate (as defined in the Listing Rules) of any of the above;
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participated in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect The Prospectus and Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 15, 2018 until 12:00 noon on Thursday, June 21, 2018 from:

- (i) any of the following addresses of the Hong Kong Underwriters:

Lego Securities Limited

Room 301, 3/F China Building
29 Queen's Road Central
Central, Hong Kong

Kingsway Financial Services Group Limited

7/F Tower 1, Lippo Centre
89 Queensway
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited

20/F Wing On Centre
111 Connaught Road, Central
Hong Kong

Pacific Foundation Securities Limited

11/F New World Tower II
16-18 Queen's Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

Future Land Resources Securities Limited

Flat B 20/F
Guangdong Investment Tower
148 Connaught Road Central
Sheung Wan, Hong Kong

VMS Securities Limited

49/F One Exchange Square
8 Connaught Place
Central, Hong Kong

AMC Wanhai Securities Limited

1604-1605, 16/F West Tower
Shun Tak Center
168-200 Connaught Road
Sheung Wan, Hong Kong

- (ii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

| <u>District</u> | <u>Branch Name</u> | <u>Address</u> |
|------------------|-------------------------|---|
| Hong Kong Island | Sheung Wan Branch | Shop F, G/F, Kai Tak Commercial Building, 317-319 Des Voeux Road Central, Sheung Wan, Hong Kong |
| | Admiralty Branch | Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong |
| | Wanchai Branch | 117-123 Hennessy Road, Wanchai, Hong Kong |
| Kowloon | Tsimshatsui East Branch | Shop B, G/F, Railway Plaza, 39 Chatham Road South, Tsimshatsui, Kowloon |
| | Yaumatei Branch | 542 Nathan Road, Yaumatei, Kowloon |
| | Prince Edward Branch | 777 Nathan Road, Mongkok, Kowloon |

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, June 15, 2018 until 12:00 noon on Thursday, June 21, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited —

HOW TO APPLY FOR HONG KONG OFFER SHARES

CTEH Public Offer” for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, June 15, 2018 — 9:00 a.m. to 5:00 p.m.

Saturday, June 16, 2018 — 9:00 a.m. to 1:00 p.m.

Tuesday, June 19, 2018 — 9:00 a.m. to 5:00 p.m.

Wednesday, June 20, 2018 — 9:00 a.m. to 5:00 p.m.

Thursday, June 21, 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, June 21, 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/ or the Sole Global Coordinator (or its agent or nominee), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) represent that you are not a person in Canada or a resident of Canada;
- (vii) represent and warrant, or take notice that your purchase of the Hong Kong Offer Shares will be deemed to constitute a representation and warranty, that you are

HOW TO APPLY FOR HONG KONG OFFER SHARES

purchasing with an investment intent and not with a view to distribution and you will not resell the Hong Kong Offer Shares to a person you actually know to be in Canada or a resident of Canada or to a person involved in a scheme to redistribute the Hong Kong Offer Shares to the foregoing;

- (viii) acknowledge that the Offer Shares may not be offered, sold or resold, directly or indirectly, to a person in Canada or a resident of Canada in connection with the Hong Kong Share Offer, except pursuant to a prospectus or an exemption from the prospectus requirements of applicable Canadian securities laws, and in compliance with, or pursuant to exemptions from, the dealer registration requirements of such laws;
- (ix) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (x) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (xi) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (xii) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (xiii) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xiv) agree that your application will be governed by the laws of Hong Kong;
- (xv) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xvi) warrant that the information you have provided is true and accurate;
- (xvii) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xviii) authorize our Company to place your name(s) or the name of HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect Share certificate(s) and/or refund check(s) in person;
- (xix) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xx) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xxi) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xxii) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- represent you are not a person in Canada or a resident of Canada, and that you represent and warrant, or take notice that your purchase of the Hong Kong Offer Shares will be deemed to constitute a representation and warranty, that you are purchasing with an investment intent and not for the purpose of making an immediate resale and will not resell the Hong Kong Offer Shares to a person that you actually know to be in Canada or a resident of Canada or to a person involved in a scheme to redistribute the Hong Kong Offer Shares to the foregoing;
- acknowledge that the Hong Kong Offer Shares may not be offered, sold or resold, directly or indirectly, to a person in Canada or a resident of Canada in connection with the Hong Kong Share Offer, except pursuant to a prospectus or an exemption from the prospectus requirements of applicable Canadian securities laws, and in compliance with, or pursuant to exemptions from, the dealer registration requirements of such laws;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving the **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Hong Kong Offer Shares. Instructions for more than 10,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates^(Note):

Friday, June 15, 2018 — 9:00 a.m. to 8:30 p.m.^(Note)

Saturday, June 16, 2018 — 8:00 a.m. to 1:00 p.m.^(Note)

Tuesday, June 19, 2018 — 8:00 a.m. to 8:30 p.m.^(Note)

Wednesday, June 20, 2018 — 8:00 a.m. to 8:30 p.m.^(Note)

Thursday, June 21, 2018 — 8:00 a.m.^(Note) to 12:00 noon

Note:

These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 15, 2018 until 12:00 noon on Thursday, June 21, 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, June 21, 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the

HOW TO APPLY FOR HONG KONG OFFER SHARES

systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, June 21, 2018.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure of the Share Offer — Pricing and allocation — Offer Price” in this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, June 21, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, June 21, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, June 27, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at www.toureast.com and the Stock Exchange’s website at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.toureast.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Wednesday, June 27, 2018;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.ewhiteform.com.hk/results with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Wednesday, June 27, 2018 to 12:00 midnight on Tuesday, July 3, 2018;
- by telephone enquiry line by calling (852) 2153-1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, June 27, 2018 to Tuesday, July 3, 2018 (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, June 27, 2018 to Tuesday, July 3, 2018 at all the receiving bank’s branches listed above on a Business Day.

If our Company accepts your offer to purchase (in whole or in part), which it may do so by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50.0% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.425 per Offer Share (excluding

HOW TO APPLY FOR HONG KONG OFFER SHARES

brokerage fee, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Share Offer — Conditions of the Share Offer” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the check or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, June 27, 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on Wednesday, June 27, 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker’s cashier order(s).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Thursday, June 28, 2018 provided that the Share Offer has become unconditional and the right

HOW TO APPLY FOR HONG KONG OFFER SHARES

of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) from our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, June 27, 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, June 27, 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on Wednesday, June 27, 2018, by ordinary post at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Wednesday, June 27, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

— *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

— *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "10. Publication of results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, June 27, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

(iii) *If you apply via electronic application instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, June 27, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "10. Publication of results" in this section on Wednesday, June 27, 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, June 27, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS

HOW TO APPLY FOR HONG KONG OFFER SHARES

Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, June 27, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, June 27, 2018.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CTEH INC. AND LEGO CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of CTEH Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-71, which comprises the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, the Company statement of financial position as at 31 December 2017, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-71 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 15 June 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2017 and the consolidated financial position of the Group as at 31 December 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by CTEH Inc. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
15 June 2018

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December | | |
|--|------|------------------------|------------------|------------------|
| | | 2015 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 |
| Revenue | 5 | 136,196 | 153,164 | 153,862 |
| Cost of sales | 7 | (55,578) | (54,025) | (55,714) |
| Gross profit | | 80,618 | 99,139 | 98,148 |
| Other income | 6 | — | — | 15 |
| Other gains/(losses), net | 6 | 831 | (53) | (808) |
| Selling expenses | 7 | (15,590) | (16,040) | (17,683) |
| Administrative expenses | 7 | (31,683) | (34,692) | (61,314) |
| Operating profit | | 34,176 | 48,354 | 18,358 |
| Finance income | 9 | 198 | 527 | 554 |
| Finance costs | 9 | (14) | (819) | (1,015) |
| Finance income/(costs), net | 9 | 184 | (292) | (461) |
| Profit before income tax | | 34,360 | 48,062 | 17,897 |
| Income tax expense | 10 | (8,871) | (13,064) | (5,532) |
| Profit for the year | | 25,489 | 34,998 | 12,365 |
| Other comprehensive income/(loss) | | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | | |
| - Currency translation differences | | 8,543 | (1,622) | (761) |

| | Year ended 31 December | | |
|--|------------------------|----------------|---------------|
| | 2015 | 2016 | 2017 |
| Note | HK\$'000 | HK\$'000 | HK\$'000 |
| Other comprehensive income/(loss) for the year, net of tax | <u>8,543</u> | <u>(1,622)</u> | <u>(761)</u> |
| Total comprehensive income for the year attributable to owners of the Company | <u>34,032</u> | <u>33,376</u> | <u>11,604</u> |
| Basic and diluted earnings per share (HK\$) | 11 <u>0.03</u> | <u>0.04</u> | <u>0.01</u> |

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Note | As at 31 December | | |
|---|-------|-------------------|------------------|------------------|
| | | 2015 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 14 | 1,774 | 2,195 | 4,703 |
| Intangible assets | 15 | 249 | 2,161 | 4,299 |
| Deferred income tax assets | 22 | 216 | 155 | 6,829 |
| Available-for-sale financial assets | 17 | 1,260 | 1,300 | — |
| | | <u>3,499</u> | <u>5,811</u> | <u>15,831</u> |
| Current assets | | | | |
| Trade receivables | 18 | 21,346 | 25,453 | 28,228 |
| Prepayments, deposits and other receivables | 19 | 11,935 | 21,190 | 41,231 |
| Available-for-sale financial assets | 17 | — | — | 1,401 |
| Amount due from a related company | 31(a) | 870 | — | — |
| Income tax recoverable | | — | — | 235 |
| Restricted term deposit | 21 | — | 41,405 | 45,016 |
| Cash and cash equivalents | 20 | 49,030 | 71,160 | 65,417 |
| | | <u>83,181</u> | <u>159,208</u> | <u>181,528</u> |
| Total assets | | <u>86,680</u> | <u>165,019</u> | <u>197,359</u> |
| EQUITY | | | | |
| Equity attributable to the owners of the Company | | | | |
| Share capital | 23(a) | — | — | 90 |
| Other reserve | 23(b) | (96,086) | (96,086) | (41,256) |
| Exchange reserve | | 11,543 | 9,921 | 9,160 |
| Retained earnings | | <u>49,340</u> | <u>84,338</u> | <u>96,703</u> |
| Total (deficit)/equity | | <u>(35,203)</u> | <u>(1,827)</u> | <u>64,697</u> |

| | Note | As at 31 December | | |
|--|-------|-------------------|------------------|------------------|
| | | 2015 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Loans from shareholders | 31(b) | — | 29,440 | — |
| Bank borrowings | 26 | 62 | — | — |
| Deferred income tax liabilities | 22 | — | 241 | 593 |
| | | <u>62</u> | <u>29,681</u> | <u>593</u> |
| Current liabilities | | | | |
| Trade payables | 24 | 109 | 6 | 25 |
| Amount due to a related company | 31(a) | 34 | 817 | — |
| Accruals and other payables | 25 | 53,989 | 76,601 | 94,801 |
| Income taxes payable | | 5,437 | 8,744 | — |
| Bank borrowings | 26 | 155 | 62 | 37,243 |
| Redeemable preference shares | 27 | 62,097 | 50,935 | — |
| | | <u>121,821</u> | <u>137,165</u> | <u>132,069</u> |
| Total liabilities | | <u>121,883</u> | <u>166,846</u> | <u>132,662</u> |
| Total equity and liabilities | | <u>86,680</u> | <u>165,019</u> | <u>197,359</u> |
| Net current (liabilities)/assets | | <u>(38,640)</u> | <u>22,043</u> | <u>49,459</u> |
| Total assets less current liabilities | | <u>(35,141)</u> | <u>27,854</u> | <u>65,290</u> |

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | <i>Note</i> | As at 31 December 2017 <u>HK\$'000</u> |
|---|-------------|--|
| ASSETS | | |
| Non-current assets | | |
| Investment in a subsidiary | 13 | 540,000 |
| Deferred income tax assets | 22 | <u>6,674</u> |
| | | <u>546,674</u> |
| Current assets | | |
| Deferred listing expenses | 19 | <u>6,619</u> |
| Total assets | | <u>553,293</u> |
| EQUITY | | |
| Equity attributable to the owners of the Company | | |
| Share capital | 23(a) | 90 |
| Other reserve | 23(c) | 539,909 |
| Accumulated losses | | <u>(14,385)</u> |
| Total equity | | <u>525,614</u> |
| Current liabilities | | |
| Amounts due to subsidiaries | 31(c) | <u>27,679</u> |
| Total liabilities | | <u>27,679</u> |
| Total equity and liabilities | | <u>553,293</u> |
| Net current liabilities | | <u>(21,060)</u> |
| Total assets less current liabilities | | <u>525,614</u> |

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | |
|---|---------------------------------------|------------------|-----------------|-----------------|-----------------|----------|
| | Share | Other | Exchange | Retained | Total | |
| | capital | reserve | reserve | earnings | | |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | |
| | | <i>(Note 23)</i> | | | | |
| Balance at 1 January 2015 | | — | (96,086) | 3,000 | 36,065 | (57,021) |
| Comprehensive income | | | | | | |
| Profit for the year | | — | — | — | 25,489 | 25,489 |
| Other comprehensive income | | | | | | |
| Currency translation differences | | — | — | 8,543 | — | 8,543 |
| Total comprehensive income for the year | | — | — | 8,543 | 25,489 | 34,032 |
| Transaction with owners | | | | | | |
| Dividends in relation to common shares | 12 | — | — | — | (12,214) | (12,214) |
| Balance at 31 December 2015 | | — | (96,086) | 11,543 | 49,340 | (35,203) |
| Balance at 1 January 2016 | | — | (96,086) | 11,543 | 49,340 | (35,203) |
| Comprehensive income | | | | | | |
| Profit for the year | | — | — | — | 34,998 | 34,998 |
| Other comprehensive loss | | | | | | |
| Currency translation differences | | — | — | (1,622) | — | (1,622) |
| Total comprehensive (loss)/income for the year | | — | — | (1,622) | 34,998 | 33,376 |
| Balance at 31 December 2016 | | — | (96,086) | 9,921 | 84,338 | (1,827) |

| | Attributable to owners of the Company | | | | |
|---|---------------------------------------|---------------|------------------|-------------------|----------|
| | Share capital | Other reserve | Exchange reserve | Retained earnings | Total |
| | <i>Note</i> HK\$'000 (Note 23) | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Balance at 1 January 2017 | — | (96,086) | 9,921 | 84,338 | (1,827) |
| Comprehensive income | | | | | |
| Profit for the year | — | — | — | 12,365 | 12,365 |
| Other comprehensive loss | | | | | |
| Currency translation differences | — | — | (761) | — | (761) |
| Total comprehensive (loss)/income for the year | — | — | (761) | 12,365 | 11,604 |
| Transaction with owners | | | | | |
| Exchange of redeemable preference shares upon | | | | | |
| Reorganisation | 1.2, 27 | — | 54,920 | — | 54,920 |
| Incorporation of the Company | 23 | 1 | (1) | — | — |
| Issue of shares during Reorganisation | 23 | 89 | (89) | — | — |
| Balance at 31 December 2017 | 90 | (41,256) | 9,160 | 96,703 | 64,697 |

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | Year ended 31 December | | |
|---|------|------------------------|----------------------|----------------------|
| | | 2015 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 |
| Cash flows from operating activities | | | | |
| Cash generated from operations | 28 | 31,076 | 59,793 | 20,769 |
| Interest paid | 9 | (14) | (819) | (1,015) |
| Income tax paid | | (4,718) | (9,572) | (18,803) |
| Net cash generated from operating activities | | <u>26,344</u> | <u>49,402</u> | <u>951</u> |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | 14 | (1,833) | (1,124) | (3,615) |
| Proceeds from sale of property, plant and equipment | 28 | 246 | — | — |
| Purchase of intangible assets | 15 | (236) | (2,189) | (3,361) |
| Increase in restricted term deposit | | — | (42,003) | — |
| Interest received | | <u>198</u> | <u>527</u> | <u>185</u> |
| Net cash used in investing activities | | <u>(1,625)</u> | <u>(44,789)</u> | <u>(6,791)</u> |
| Cash flow from financing activities | | | | |
| Dividends paid to the Company's shareholders | 12 | (12,214) | — | — |
| Redemption of redeemable preferences shares | 27 | (8,455) | (13,470) | — |
| Proceeds from bank borrowings | | — | — | 36,036 |
| Repayment of bank borrowings | | (155) | (155) | (62) |
| Proceeds from loans from shareholders | | — | 29,865 | — |
| Repayment of loans from shareholders | | — | — | (29,707) |
| Payment of deferred listing expenses | | — | — | (8,107) |
| Net cash (used in)/generated from financing activities | | <u>(20,824)</u> | <u>16,240</u> | <u>(1,840)</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>3,895</u> | <u>20,853</u> | <u>(7,680)</u> |
| Cash and cash equivalents at beginning of the year | | 54,084 | 49,030 | 71,160 |
| Effect of currency translation differences | | <u>(8,949)</u> | <u>1,277</u> | <u>1,937</u> |
| Cash and cash equivalents at end of the year | | <u><u>49,030</u></u> | <u><u>71,160</u></u> | <u><u>65,417</u></u> |

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganisation and basis of presentation****1.1 General information**

CTEH Inc. (the “Company”) was incorporated in Ontario, Canada on 18 August 2017 and continued in the Cayman Islands from 20 October 2017 as an exempted company with limited liability. The registered address of the Company is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries comprising the Group (together, the “Group”) are engaged in air ticket distribution, travel business process management and travel products and services (the “Business”) in Canada and the United States (the “U.S.”).

The Group operates under the licenses issued by the International Airport Transportation Association (“IATA”), the Travel Industry Council of Ontario (“TICO”), the Québec l’Office de la Protection due Consommateur (“OPC”) and the Business Practices & Consumer Protection Authority of British Columbia in Canada, which require the Group to comply with certain industry regulations.

1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the Business was carried out by Tour East Holidays (Canada) Inc. (“TE Canada”) and Tour East Holidays (New York) Inc. (“TE New York”) (collectively the “Operating Companies”). Before the completion of the Reorganisation, the Operating Companies were collectively owned by Mrs. Rita Pik Fong Tsang (“Mrs. Tsang”), Ms. Annie Shuk Fung Tsu (“Ms. Tsu”) and Dr. Kwok Chun Dennis Chu (“Dr. Chu”) and ultimately controlled by Mrs. Tsang throughout the Track Record Period.

In preparing for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Operating Companies underwent the Reorganisation by inserting a new holding (the “Company”) and intermediate holding companies to the Business via share to share swap. The following transactions were carried out:

- i) On 1 August 2017, BVTEHC Inc. (“BVTEHC”) was incorporated under the laws of Ontario, Canada. Upon incorporation, one share of the company was allotted and issued to Rita Tsang Group Holdings Inc. (“RT Group”), which is owned by Mrs. Tsang.
- ii) On 18 August 2017, the Company was incorporated under the laws of Ontario, Canada and registered by way of continuation in the Cayman Islands from 20 October 2017. On the same date (i.e. 18 August 2017), one share of the Company was allotted and issued to RT Group, which is owned by Mrs. Tsang.

- iii) On 1 August 2017, BVTEHU Inc. (“BVTEHU”) was incorporated under the laws of Ontario, Canada. On 19 August 2017, one share of BVTEHU was allotted and issued to the Company.
- iv) On 18 September 2017, 1134351 B.C. Unlimited Liability Company (“1134351 B.C.”) was incorporated under the laws of British Columbia, Canada. Upon incorporation, one share of the company was allotted and issued to AT Horizons Holdings Inc. (“AT Holdings”), which is owned by Ms. Tsu.
- v) On 9 October 2017, there was a number of transfer and redemption of preference shares of TE Canada, including:
 - a) CC Connect Holdings Inc., which is owned by Mrs. Tsang, and Mrs. Tsang transferred 2,800,000 and 1,400,000 Class A preference shares of TE Canada to RT Group, respectively.
 - b) TE Canada redeemed 775 Class C special shares of TE Canada held by Mrs. Tsang which was fully settled in cash.
 - c) Ms. Tsu and Dr. Chu transferred 2,100,000 and 700,000 Class A preference shares of TE Canada to AT Holdings and Dennis Chu Holdings Inc. (“DC Holdings”), respectively.

Upon the completion of the abovementioned transfers and redemptions of preference shares, all Class A preference shares of TE Canada are held by RT Group, AT Holdings and DC Holdings which are owned by Mrs. Tsang, Ms. Tsu and Dr. Chu, respectively, while all Class C preference shares of TE Canada were redeemed.

- vi) On 9 October 2017, RT Group, AT Holdings and DC Holdings transferred all their common shares and Class A preference shares of TE Canada to BVTEHC which was settled by BVTEHC issuing and allotting 59, 30 and 10 common shares to RT Group, AT Holdings and DC Holdings, respectively. On the same date, BVTEHC exchanged its 7,000,000 Class A preference shares of TE Canada for seven common shares of TE Canada. Since then, TE Canada becomes a wholly owned subsidiary of BVTEHC.
- vii) On 9 October 2017, RT Group, AT Holdings and DC Holdings transferred all their common shares of TE New York to 1134351 B.C. which was settled by 1134351 B.C. issuing and allotting 60, 29 and 10 common shares to RT Group, AT Holdings and DC Holdings, respectively. Since then, TE New York becomes a wholly owned subsidiary of 1134351 B.C.
- viii) On 9 October 2017, RT Group, AT Holdings and DC Holdings transferred their respective common shares of BVTEHC to the Company which was settled by the Company issuing and allotting 496,799,999, 248,400,000 and 82,800,000 shares of the Company to RT Group, AT Holdings and DC Holdings, respectively. On

the same date, RT Group, AT Holdings and DC Holdings transferred their respective common shares of 1134351 B.C. to the Company which was settled by the Company issued and allotted 43,200,000, 21,600,000 and 7,200,000 shares to RT Group, AT Holdings and DC Holdings, respectively. Since then, TE Canada and TE New York become wholly owned subsidiaries of the Company.

- ix) On 9 October 2017, the Company transferred its 100 common shares of BVTEHC and 100 common shares of 1134351 B.C. to BVTEHU which was settled by BVTEHU issuing and allotting 100 common shares of BVTEHU to the Company. Since then, BVTEHU becomes holding company of both BVTEHC and 1134351 B.C.

Upon the completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries:

| Company name | Country/ place and date of incorporation | Type of legal status | Issued and paid up/ registered capital | Effective interest held | | | As at the date of this report | Principal activities | Note |
|---------------------------------------|--|-----------------------------------|---|------------------------------|------|------|-------------------------------------|---|------|
| | | | | As at 31 December 2015 | 2016 | 2017 | | | |
| Directly held subsidiaries | | | | | | | | | |
| BVTEHU Inc. | Ontario, Canada, 1 August 2017 | Limited liability company | 101 common shares | N/A | N/A | 100% | 100% | Investment holding | (a) |
| Indirectly held subsidiaries | | | | | | | | | |
| BVTEHC Inc. | Ontario, Canada, 1 August 2017 | Limited liability company | 100 common shares | N/A | N/A | 100% | 100% | Investment holding | (a) |
| 1134351 B.C. | British Columbia, Canada, 18 September 2017 | Unlimited liability company | 100 common shares | N/A | N/A | 100% | 100% | Investment holding | (a) |
| Tour East Holidays (Canada) Inc. | Ontario, Canada, 1 January 1976 | Limited liability company | 107 common shares | 100% | 100% | 100% | 100% | Engaged in air ticket distribution, travel business process management and provision of travel products and services | (b) |
| Tour East Holidays (New York) Inc. | New York, United States, 14 November 1980 | Limited liability company | 200 common shares | 100% | 100% | 100% | 100% | Engaged in air ticket distribution, travel business process management and provision of travel products and services | (c) |

Notes:

- (a) No audited financial statements for these subsidiaries now comprising the Group were available for the years ended 31 December 2015, 2016 and 2017 as they were newly incorporated in 2017.
- (b) The financial statements of this company for the years ended 31 December 2015 and 2016 were audited by PricewaterhouseCoopers LLP, Canada. No audited financial statements have been issued for this company for the year ended 31 December 2017.

- (c) No audited financial statements have been issued for this company as there is no statutory audit requirement in its place of incorporation.

All companies comprising the Group have adopted 31 December as their financial year end date.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Business was held by the Operating Companies, which were collectively owned by Mrs. Tsang, Ms. Tsu and Dr. Chu and ultimately controlled by Mrs. Tsang, who owned and controlled the companies now comprising the Group before the Reorganisation and continues to own and control these companies after the Reorganisation. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. Accordingly, the Reorganisation has been accounted for as a recapitalisation of a business. The consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period presented or since the respective dates when these companies first came under the control of the controlling shareholder of the companies, whichever is the shorter period.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and related interpretations. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of Historical Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

New standards, amendments and interpretations to existing standards not yet adopted by the Group

The following are new standards, amendments and interpretations to existing standards that have been issued and are relevant to the Group but not yet effective for the Track Record Period and have not been early adopted by the Group.

| | | Effective for accounting periods beginning on or after |
|---------------------------------|--|---|
| IFRS 2 (Amendments) | Classification and measurement of share-based payment transactions | 1 January 2018 |
| IFRS 4 (Amendments) | Applying IFRS 9 financial instruments with IFRS 4 insurance contracts | 1 January 2018 |
| IFRS 9 | Financial instruments | 1 January 2018 |
| IFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| IFRS 15 (Amendments) | Clarifications to IFRS 15 | 1 January 2018 |
| IAS 40 (Amendments) | Transfers of investment property | 1 January 2018 |
| Annual improvement project | Annual improvements 2014-2016 cycle | 1 January 2018 |
| IFRIC 22 | Foreign currency transactions and advance consideration | 1 January 2018 |
| IFRS 9 (Amendments) | Prepayment features with negative compensation | 1 January 2019 |
| IFRIC 23 | Uncertainty over income tax treatments | 1 January 2019 |
| IFRS 16 | Leases | 1 January 2019 |
| IFRS 10 and IAS 28 (Amendments) | Sale or contribution of assets between an investor and its associate and joint venture | To be determined |

IFRS 9, “Financial instruments”

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

IFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL, replacing the incurred loss model in IAS 39, and new general

hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

IFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from IAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to the change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, IFRS 9 retains the requirements in IAS 39 for derecognition of financial assets and financial liabilities.

The standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

The Group does not plan to early adopt IFRS 9. Management has assessed the impact of the adoption of IFRS 9 and does not expect the adoption to have a material impact to the Group's Historical Financial Information.

IFRS 15, "Revenue from contracts with customers"

IFRS 15 replaces the current revenue standards: IFRS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations on revenue recognition. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much to recognise through a 5-step approach: (1) identify the contract(s) with customer(s); (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations; and (5) recognise revenue when the performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It replaces the current revenue recognition model based on an earnings process with a new framework based on an asset-liability approach and transfer of control.

IFRS 15 provides specific guidance on capitalisation of contract costs and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard is effective for annual periods beginning on or after 1 January 2018 and early adoption is permitted.

The Group does not plan to early adopt IFRS 15. Management has assessed the impact of the adoption of IFRS 15 by analysing the Group's key revenue streams against the 5-step approach, and does not expect the adoption to have a material impact on the Group's Historical Financial Information, other than presenting additional disclosures.

IFRS 16, "Leases"

IFRS 16 replaces the current standards related to leases: IAS 17 Leases and related interpretations. Under IAS 17, lessees were required to make a distinction between a

finance lease (on the consolidated statements of financial position) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts. The new standard will impact both the consolidated statements of financial position and related ratios (capital adequacy ratio and leverage ratio).

The standard is effective for annual periods beginning on or after 1 January 2019 and early adoption is permitted.

The Group does not plan to early adopt IFRS 16. Total operating lease commitments of the Group in respect of leased premises as a lessee as at 31 December 2017 amounted to HK\$3,868,000. The directors of the Group do not expect the adoption of IFRS 16 would result in a significant impact on the Group's results, but it is expected that a significant portion of the lease commitment will be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

Apart from the aforementioned IFRS 9, IFRS 15 and IFRS 16, the Group is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards upon initial application but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would have any significant impact on its results of operations and financial position.

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Except for the Reorganisation set out in note 1.2 to the Historical Financial Information, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial information exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Company who make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Historical Financial Information is presented in HK\$, which is the Group's presentation currency because the Historical Financial Information is used by the Group for external reporting purposes in Hong Kong. The Company's functional currency is the Canadian dollar ("CAD").

(b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates 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 recognised in the consolidated statements of comprehensive income within "other gains/ (losses), net".

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- capital balances for each consolidated statement of financial position presented are translated at the historical rate at the transaction date;

- all other assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the period-end date;
- income and expenses for each consolidated statement of comprehensive income are translated at average rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and included within the exchange reserve.

On the disposal of the Group's entities, or a disposal involving loss of control over a subsidiary, all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's equity holders are reclassified to the profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged in profit or loss during the Track Record Period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

| | |
|--|--|
| Leasehold improvements | 5 years or over the lease term, whichever is shorter |
| Furniture, fixtures and office equipment | 5 years |
| Computer equipment | 3 years |
| Motor vehicles | 3 years |

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets and are recognised within “other gains/ (losses), net” in the consolidated statements of comprehensive income.

2.7 Intangible assets

(a) Computer software

Computer software is stated at cost less accumulated amortisation and impairment. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised over their estimated useful lives of three years using the straight-line method.

(b) Research and development expenditures

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. There were no development costs meeting these criteria and capitalised as intangible assets during the Track Record Period.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except where expected maturity is greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise of trade receivables, deposits and other receivables, amount due from a related company, the restricted term deposit and cash and cash equivalents in the consolidated statements of financial position.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are subsequently carried at amortised cost using the effective interest method, and available-for-sale financial assets are measured at fair value on each reporting date.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is recorded in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.11 Impairment of financial assets

(a) Financial assets carried at amortised cost

The Group assesses at each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument’s fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(b) Assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is reclassified from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the other comprehensive income.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks.

2.14 Restricted term deposit

In the consolidated statements of financial position, the restricted term deposit is separately presented from cash and cash equivalents.

2.15 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (Note 2.19).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs directly attributable to the acquisitions, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statements of comprehensive income in the period in which they are incurred.

2.19 Redeemable preference shares

Redeemable preference shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The redeemable preference shares are initially recognised as interest-bearing borrowings set out in Note 2.17 in accordance with the Group's policy and accordingly dividends thereon are recognised on an accrual basis in the consolidated statements of comprehensive income as part of interest expense. The redeemable preference shares are subsequently recorded at amortised cost.

2.20 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current 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 the Company and its subsidiaries operate and generate taxable income. 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.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is

sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority and when there is an intention to settle the balances on a net basis.

2.21 Provisions

Provisions are only recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.22 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension

The Group maintains a number of defined contribution retirement benefit plans organised by relevant government authorities for its employees in Canada and the U.S. and contributes to these plans based on a certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The assets of the retirement benefit are held separately from those of the Group in an independently administered fund. The retirement plans are generally funded by payments from employees and by the Group.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonuses

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.23 Revenue recognition

Revenue is measured at the fair value of the considerations received or receivable, and represents amounts receivable for services rendered, stated net of discounts and rebates, value added tax and other sales related taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

Revenue of the Group mainly represents margin income and incentive commissions from airlines, travel business process management fees from travel companies, sales of package tours and margin income from sales of other travel products and services, e.g. non-guided customised tours, hotel plus flight packages, car rentals, travel insurance. Margin income is recognised on a net basis. Specifically, revenue is recognised as follows:

- Margin income is recognised at the time of ticketing of the travel arrangement; incentive commissions are recognised based on management's

estimate of the expected achievement of specific targets and thresholds specified in contracts with airlines;

- Revenue from travel business process management are recognised as services are performed;
- Revenue from sales of company-operated package tours is recognised on a gross basis and when the services are rendered by the Group on a straight-line basis over the duration of the tours; and
- Margin income from sales of other travel products and services is recognised upon booking.

Deferred revenue from loyalty program represents outstanding customer loyalty credits, which are accounted for as a separate identifiable component of the initial sales transaction in which they are granted. The revenue from the loyalty program is recognised when the points are redeemed.

Determining whether the Group is acting as a principal or as an agent requires consideration of all relevant facts and circumstances, including whether (1) the Group is the primary obligor in the provision of underlying services; (2) the Group retains the inventory risk before and after the customer orders, during the provision of services or on return; (3) the Group has latitude in establishing prices; and (4) the Group bears the credit risk for collecting cash from customers. The Group's management performed the assessment based on the above mentioned factors on each revenue stream.

2.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in profit or loss on a straight-line basis over the period of the lease.

2.25 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is nil because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required

to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statements of comprehensive income within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.26 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Historical Financial Information in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk (including foreign exchange risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates principally in Canada and the U.S. and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar ("USD"). Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities.

The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposures.

The table below summarises the financial assets denominated in foreign currencies other than the respective group companies' functional currencies at each reporting date:

| | <u>As at 31 December</u> | | |
|--------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Assets | | | |
| USD | 5,416 | 9,694 | 7,022 |
| Others | <u>249</u> | <u>70</u> | <u>82</u> |
| | <u>5,665</u> | <u>9,764</u> | <u>7,104</u> |

The Group did not have any financial liabilities denominated in foreign currencies other than the respective group companies' functional currencies at each reporting date.

As at 31 December 2015, 2016 and 2017, if the USD had strengthened/weakened by 10% with all other variables held constant, the post-tax profit would have been approximately HK\$398,000 higher/lower, HK\$713,000 higher/lower and HK\$516,000 higher/lower respectively, as a result of foreign exchange gains/losses on revaluation of the USD denominated net assets.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from borrowings. Bank borrowings denominated in USD are subject to floating interest rates at the U.S. prime rate plus 1.5% up to 31 December 2017. Bank borrowings denominated in CAD are subject to floating interest rates at the Canadian prime rate.

As at 31 December 2015 and 2016, the Group's exposure to interest rate risk is not considered to be significant.

As at 31 December 2017, if interest rates on borrowings had been 50 basis points higher or lower with all other variables held constant, the impact on the Group's post-tax profit for the year would have been approximately HK\$137,000 lower or higher.

(b) Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, amounts due from a related company and cash at banks. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks.

The majority of the Group's receivables are in relation to margin income from sales of air ticket and incentive commissions from airlines, company-operated tours sold to sub-agents and travel business process management earned from travel companies.

The Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at 31 December 2015, 2016 and 2017, the top three debtors accounted for approximately 75%, 67% and 62% respectively of the Group's trade receivables balance. The Group has set up long-term cooperative relationships with these debtors. In view of this history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivables balance due from these debtors. Management makes periodic assessments on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. Management considers the Group's credit risk for these receivables to be low.

For amount due from a related company, management is of the opinion that the credit risk is low due to the sound collection history of the receivables due from the counterparty. The extent of credit risk of the Group's trade receivables is disclosed in Note 18.

(c) Liquidity risk

The liquidity position of the Group is significantly influenced by the booking and payment pattern of customers and airlines. The Group manages the seasonal nature of its liquidity by maintaining sufficient cash and cash equivalents, which are generated from the operating activities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the consolidated statements of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | On demand or within 1 year | Between 1 and 2 years | Between 2 and 5 years | Total |
|--|---|--------------------------------------|--------------------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| As at 31 December 2015 | | | | |
| Trade payables | 109 | — | — | 109 |
| Amount due to a related company | 34 | — | — | 34 |
| Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses) | 45,965 | — | — | 45,965 |
| Bank borrowings and interest payments | 161 | 63 | — | 224 |
| Redeemable preference shares | 62,097 | — | — | 62,097 |
| | <u>108,366</u> | <u>63</u> | <u>—</u> | <u>108,429</u> |
| As at 31 December 2016 | | | | |
| Trade payables | 6 | — | — | 6 |
| Amount due to a related company | 817 | — | — | 817 |
| Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses) | 66,080 | — | — | 66,080 |
| Bank borrowings and interest payments | 63 | — | — | 63 |
| Redeemable preference shares | 50,935 | — | — | 50,935 |
| Loans from shareholders | 896 | 29,440 | — | 30,336 |
| | <u>118,797</u> | <u>29,440</u> | <u>—</u> | <u>148,237</u> |
| As at 31 December 2017 | | | | |
| Trade payables | 25 | — | — | 25 |
| Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses) | 85,118 | — | — | 85,118 |
| Bank borrowings and interest payments | 38,360 | — | — | 38,360 |
| | <u>123,503</u> | <u>—</u> | <u>—</u> | <u>123,503</u> |

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings", "redeemable preference shares" and "loans from shareholders" as shown in the consolidated statements of financial position) less cash and cash equivalents. Total capital is calculated as "equity/(deficit)", as shown in the consolidated statements of financial position.

The debt-to-equity ratios in the Track Record Period were as follows:

| | As at 31 December | | |
|--|-------------------|----------|----------|
| | 2015 | 2016 | 2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Bank borrowings (Note 26) | 217 | 62 | 37,243 |
| Redeemable preference shares (Note 27) | 62,097 | 50,935 | — |
| Loans from shareholders (Note 31(b)) | — | 29,440 | — |
| Less: | | | |
| Cash and cash equivalents (Note 20) | (49,030) | (71,160) | (65,417) |
| Net debt/(cash) | 13,284 | 9,277 | (28,174) |
| Total (deficit)/equity | (35,203) | (1,827) | 64,697 |
| Debt-to-equity ratio | N/A | N/A | N/A |

As at 31 December 2015, 2016 and 2017, the Group has banking facilities available in the form of letters of guarantee of HK\$7,340,000, HK\$60,534,000 and HK\$195,932,000, and in the form of an on demand non-revolving loan of nil, nil and HK\$68,478,000, respectively. During the Track Record Period, the Group is in compliance with all banking covenants (Note 26).

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015, 2016 and 2017, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value as at 31 December 2015, 2016 and 2017.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| As at 31 December 2015 | | | | |
| Assets | | | | |
| Available-for-sale financial assets | <u>1,260</u> | <u>—</u> | <u>—</u> | <u>1,260</u> |
| As at 31 December 2016 | | | | |
| Assets | | | | |
| Available-for-sale financial assets | <u>1,300</u> | <u>—</u> | <u>—</u> | <u>1,300</u> |
| As at 31 December 2017 | | | | |
| Assets | | | | |
| Available-for-sale financial assets | <u>1,401</u> | <u>—</u> | <u>—</u> | <u>1,401</u> |

The available-for-sale financial assets mainly represent a government bond issued by the Canadian government, which will mature on 1 December 2018 (Note 17). The fair value is determined with reference to a quoted price in active markets.

There were no transfers among different categories during the Track Record Period.

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated statements of financial position approximate their fair values due to their short maturities.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition for incentive commissions

The Group earns incentive commissions revenue from airlines. The determination of the amount of incentive commissions earned in each reporting period requires estimation of the likelihood of achieving various targets, including transaction volumes and growth targets being achieved under these contracts.

The amount of revenue recognised for each period is the total anticipated revenue earned based on the achievement of the targets explained above. The Group uses estimates and assumptions based on experiences and historical results in assessing the amount of incentive commissions earned during the period.

For the years ended and as at 31 December 2015, 2016 and 2017, the Group has incentive commissions revenue of HK\$45,918,000, HK\$57,861,000 and HK\$54,582,000, and incentive commissions receivables of HK\$19,212,000, HK\$24,652,000 and HK\$27,329,000 respectively (Note 18).

(b) Income taxes

The Group is subject to income taxes in Canada and the U.S. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

(c) Provision for impairment of trade and other receivables

The provision for impairment of trade and other receivables is determined based on the evaluation of the collectability of these receivables. Significant judgement is exercised in the assessment of the collectability of receivables. In making its judgement, management considers a wide range of factors such as results of follow-up procedures performed, payment trends including subsequent payments and financial positions of the debtors.

(d) Recognition of deferred tax asset

At 31 December 2015, 2016 and 2017, a deferred tax asset of HK\$216,000, HK\$155,000 and HK\$6,829,000 in relation to unused tax losses was recognised in the consolidated financial statements, over which HK\$6,674,000 was recognised in relation to the listing expenses incurred which will be deductible for tax purposes in the future under Canadian tax regulations. Estimating the deferred tax asset to be recognised requires a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future earnings and tax structuring. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would

be recognised in profit or loss for the period in which such a reversal takes place. The current financial models indicate that the tax losses can be utilised in the foreseeable future. Management believes that any reasonable changes in the model assumptions would not affect management's view. However, any unexpected changes in assumptions and estimates in tax regulations could affect the recoverability of this deferred tax asset in the future.

5 Revenue and segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used for making strategic decisions. The chief operating decision makers are identified as the executive directors of the Company. The chief operating decision makers regularly monitor and receive reports relating to the performance of the three lines of business the Group operates during the Track Record Period. In this regard, management has identified three reportable operating segments, namely (1) Air ticket distribution, (2) Travel business process management and (3) Travel products and services.

The major business activities for the three segments are summarised as follows:

- Air ticket distribution: The Group sells air tickets on behalf of airlines in exchange for margin income and incentive commissions from airlines.
- Travel business process management: The Group performs certain administrative and management services mainly for travel agencies in exchange for travel business process management fees.
- Travel products and services: The Group packages various travel products from suppliers into company-operated tours. The Group also sells other travel products and services, where the travelers are responsible for their trips using travel services sourced by the Group.

The performance of the operating segments is assessed based on segment revenue and a measure of segment operating results. Unallocated administrative expenses, other gains/(losses), other income, finance income/(costs) and income tax expense are not included in the segment results. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Group's chief operating decision makers.

The segment information provided to the executive directors for the Track Record Period is as follows:

| | Year ended 31 December 2015 | | | |
|---------------------------------|-----------------------------|---|------------------------------------|-----------------|
| | Air ticket distribution | Travel business process management | Travel products and services | Total |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from external customers | 75,287 | 21,183 | 39,726 | 136,196 |
| Segment results | 42,366 | 13,075 | 1,926 | 57,367 |
| Other income | | | | 831 |
| Administrative expenses | | | | (24,022) |
| Finance income, net | | | | 184 |
| Profit before income tax | | | | 34,360 |
| Income tax expense | | | | (8,871) |
| Profit for the year | | | | <u>25,489</u> |
| Other segment items: | | | | |
| Depreciation and amortisation | 232 | 128 | 146 | 506 |
| Capital expenditure | 722 | 397 | 454 | 1,573 |
| | <u>722</u> | <u>397</u> | <u>454</u> | <u>1,573</u> |
| | Year ended 31 December 2016 | | | |
| | Air ticket distribution | Travel business process management | Travel products and services | Total |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue from external customers | 94,930 | 23,968 | 34,266 | 153,164 |
| Segment results | 53,892 | 14,818 | 2,551 | 71,261 |
| Other losses | | | | (53) |
| Administrative expenses | | | | (22,854) |
| Finance income, net | | | | (292) |
| Profit before income tax | | | | 48,062 |
| Income tax expense | | | | (13,064) |
| Profit for the year | | | | <u>34,998</u> |
| Other segment items: | | | | |
| Depreciation and amortisation | 386 | 275 | 199 | 860 |
| Capital expenditure | 1,269 | 572 | 654 | 2,495 |
| | <u>1,269</u> | <u>572</u> | <u>654</u> | <u>2,495</u> |

| | Year ended 31 December 2017 | | | |
|---------------------------------|-----------------------------|---|------------------------------------|---------------|
| | Air ticket distribution | Travel business process management | Travel products and services | Total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue from external customers | 92,863 | 28,849 | 32,150 | 153,862 |
| Segment results | 45,267 | 17,905 | 2,333 | 65,505 |
| Other income | | | | 15 |
| Other losses, net | | | | (808) |
| Administrative expenses | | | | (46,354) |
| Finance costs, net | | | | (461) |
| Profit before income tax | | | | 17,897 |
| Income tax expense | | | | (5,532) |
| Profit for the year | | | | <u>12,365</u> |
| Other segment items: | | | | |
| Depreciation and amortisation | 1,071 | 509 | 492 | 2,072 |
| Capital expenditure | 2,657 | 1,262 | 1,219 | 5,138 |

The Group's revenue from Air ticket distribution, Travel business process management and Travel products and services for the Track Record Period are as follows:

| | Year ended 31 December | | |
|--------------------------------------|------------------------|----------------|----------------|
| | 2015 | 2016 | 2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| Air ticket distribution | 75,287 | 94,930 | 92,863 |
| Travel business process management | 21,183 | 23,968 | 28,849 |
| Travel products and services | | | |
| — Company-operated tours | 36,702 | 30,719 | 28,197 |
| — Other travel products and services | 3,024 | 3,547 | 3,953 |
| | <u>136,196</u> | <u>153,164</u> | <u>153,862</u> |

Revenue from external parties contributing 10% or more of the total revenues of the Group is as follows:

| | <u>Year ended 31 December</u> | | |
|-----------|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Company A | 30,144 | 28,932 | 29,423 |
| Company B | <u>20,515</u> | <u>19,828</u> | <u>23,297</u> |
| | <u>50,659</u> | <u>48,760</u> | <u>52,720</u> |

There is no material inter-segment revenue.

The Group's revenue by geographical locations (as determined by the area or country in which the Group operates) is analysed as follows:

| | <u>Year ended 31 December</u> | | |
|---------------|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Canada | 130,158 | 140,745 | 142,946 |
| United States | <u>6,038</u> | <u>12,419</u> | <u>10,916</u> |
| | <u>136,196</u> | <u>153,164</u> | <u>153,862</u> |

The following is an analysis of the carrying amounts of the Group's assets analysed by geographical area in which the assets are located:

| | <u>As at 31 December</u> | | |
|---------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Canada | 78,822 | 149,351 | 173,381 |
| United States | <u>7,858</u> | <u>15,668</u> | <u>23,978</u> |
| | <u>86,680</u> | <u>165,019</u> | <u>197,359</u> |

All non-current assets, other than deferred income tax assets of approximately HK\$216,000, HK\$155,000 and HK\$155,000 for the years ended 31 December 2015, 2016 and 2017, are located in Canada.

6 Other income and other gains/(losses), net

| | <u>Year ended 31 December</u> | | |
|--|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Other income | | | |
| Insurance pay out | — | — | 15 |
| | <u>—</u> | <u>—</u> | <u>15</u> |
| Other gains/(losses), net | | | |
| Foreign exchange gain/(loss) | 595 | (51) | (808) |
| Gain/(loss) on disposal of property, plant and equipment | 236 | (2) | — |
| | <u>236</u> | <u>(2)</u> | <u>—</u> |
| | <u>831</u> | <u>(53)</u> | <u>(808)</u> |

7 Expenses by nature

| | <u>Year ended 31 December</u> | | |
|---|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost of packaged tours and tickets | 31,654 | 26,968 | 28,111 |
| Employee benefit expenses (including directors' emoluments) (Note 8) | 50,407 | 52,573 | 55,380 |
| Office, telecommunication and utility expenses | 3,308 | 3,286 | 3,689 |
| Operating lease rental payments | 2,704 | 2,670 | 2,468 |
| Advertising and promotion | 2,273 | 2,785 | 4,269 |
| Consulting fees for sales development | 1,091 | 1,172 | — |
| Credit card fees | 1,047 | 1,052 | 920 |
| Auditor's remuneration | | | |
| — Audit service | 428 | 489 | 237 |
| — Non-audit service | 157 | 81 | 17 |
| Depreciation of property, plant and equipment (Note 14) | 447 | 751 | 1,354 |
| Amortisation of intangible assets (Note 15) | 219 | 258 | 1,456 |
| Legal and professional fees | 242 | 47 | 202 |
| Service fees | 2,950 | 6,240 | 8,119 |
| Listing expenses | — | — | 19,571 |
| Others | 5,924 | 6,385 | 8,918 |
| | <u>5,924</u> | <u>6,385</u> | <u>8,918</u> |
| Total cost of sales, selling and administrative expenses | <u>102,851</u> | <u>104,757</u> | <u>134,711</u> |

8 Employee benefits expenses (including directors' emoluments)

| | <u>Year ended 31 December</u> | | |
|---|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Directors' fees, salaries, bonuses and allowances | 47,097 | 48,866 | 50,952 |
| Pension costs | 1,478 | 1,547 | 1,828 |
| Other employee benefits | <u>1,832</u> | <u>2,160</u> | <u>2,600</u> |
| | <u>50,407</u> | <u>52,573</u> | <u>55,380</u> |

The employees of the Group in Canada are members of the Canada Pension Plan operated by the Canadian government. The Group is required to contribute 4.95% of payroll costs to a retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The employees of the Group in the United States are members of the social security operated by the United States government. The Group is required to contribute 6.2% of payroll costs to a retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

During the Track Record Period, there are no forfeited contributions available to offset future retirement benefit obligations of the Group.

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included three directors for the year ended 31 December 2015, and two directors for the years ended 31 December 2016 and 31 December 2017. The emoluments of these directors are reflected in the analysis shown in Note 32(a). The emoluments paid/payable to the remaining individuals during the Track Record Period are as follows:

| | <u>Year ended 31 December</u> | | |
|-----------------------------------|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Salaries, allowances and benefits | 1,481 | 3,061 | 2,678 |
| Pension costs | 30 | 30 | 46 |
| Bonuses | <u>364</u> | <u>410</u> | <u>—</u> |
| | <u>1,875</u> | <u>3,501</u> | <u>2,724</u> |

The emoluments fell within the following bands:

| | <u>Year ended 31 December</u> | | |
|--------------------------------|-------------------------------|-------------|-------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| <u>Emolument bands</u> | | | |
| Nil to HK\$500,000 | — | — | — |
| HK\$500,001 to HK\$1,000,000 | 1 | 2 | 2 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | — | 1 |
| HK\$1,500,001 to HK\$2,000,000 | — | 1 | — |
| | <u>2</u> | <u>3</u> | <u>3</u> |

9 Finance income/(costs), net

| | <u>Year ended 31 December</u> | | |
|---|--------------------------------|--------------------------------|--------------------------------|
| | <u>2015</u> <i>HK\$'000</i> | <u>2016</u> <i>HK\$'000</i> | <u>2017</u> <i>HK\$'000</i> |
| Finance income | | | |
| — Interest income | <u>198</u> | <u>527</u> | <u>554</u> |
| Finance costs | | | |
| — Interest expense on loans from shareholders | — | (813) | (448) |
| — Interest expense on bank borrowings | <u>(14)</u> | <u>(6)</u> | <u>(567)</u> |
| | <u>(14)</u> | <u>(819)</u> | <u>(1,015)</u> |
| Finance income/(costs), net | <u>184</u> | <u>(292)</u> | <u>(461)</u> |

10 Income tax expense

Canadian corporate income tax has been provided at the rate of 26.5% for the Track Record Period on the Group's respective taxable income. United States federal income tax has been provided at the rate of 34% for the Track Record Period on the Group's respective taxable income and the United States state and city tax has been calculated on the estimated assessable profit at 9.78% for the Track Record Period.

On 22 December 2017, the 2017 Tax Cuts and Jobs Act ("Tax Act") was enacted into law making significant changes to the Internal Revenue Code. Changes include, but not limited to, a decrease in the federal income tax rate for tax years beginning after 31 December 2017, the transition of the U.S. international taxation from a worldwide tax system to a territorial system and a one-time transition tax on the mandatory deemed repatriation of foreign earnings. The Group is required to recognise the effect of the tax law changes in the year of enactment, such as re-measuring the deferred tax assets and liabilities

as well as reassessing the net realisability of the deferred tax assets and liabilities of the company in the United States. Management has assessed the impact of the Tax Act and does not expect to have any material impact to the Group.

The amount of income tax expense recorded in the consolidated statements of comprehensive income represents:

| | <u>Year ended 31 December</u> | | |
|---|-------------------------------|----------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Current income tax | | | |
| — Canadian corporate income tax | 7,965 | 10,856 | 7,927 |
| — United States federal income tax | 512 | 1,363 | 1,310 |
| — United States state income tax | 338 | 493 | 420 |
| — (Over)/under provision in prior years | (29) | 50 | 709 |
| Deferred income tax (Note 22) | <u>85</u> | <u>302</u> | <u>(4,834)</u> |
| Income tax expense | <u><u>8,871</u></u> | <u><u>13,064</u></u> | <u><u>5,532</u></u> |

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to profits of the entities under the Group as follows:

| | <u>Year ended 31 December</u> | | |
|--|-------------------------------|----------------------|----------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Profit before income tax | <u><u>34,360</u></u> | <u><u>48,062</u></u> | <u><u>17,897</u></u> |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | 9,949 | 13,598 | 4,989 |
| Income not subject to tax | (327) | (619) | (167) |
| Expenses not deductible for tax purposes | 22 | 35 | 1 |
| Utilisation of previously unrecognised tax losses | (550) | — | — |
| Recognition of previously unrecognised deferred tax loss | (194) | — | — |
| (Over)/under provision in prior years | <u>(29)</u> | <u>50</u> | <u>709</u> |
| Income tax expense | <u><u>8,871</u></u> | <u><u>13,064</u></u> | <u><u>5,532</u></u> |

11 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to owners of the Company by the weighted average number of ordinary shares issued during the Track Record Period. In determining the weighted average number of shares in issue during the Track Record Period, 900,000,000 shares of the Company, which resulted from the issue and allotment of 900,000,000 shares by the Company in connection with the Reorganisation as described in note 1.2, had been treated as if such shares were issued on 1 January 2015.

| | <u>Year ended 31 December</u> | | |
|--|-------------------------------|----------------|----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Profit attributable to owners of the Company (HK\$'000) | 25,489 | 34,998 | 12,365 |
| Weighted average number of ordinary shares in issue (Number of shares in thousand) | <u>900,000</u> | <u>900,000</u> | <u>900,000</u> |
| Basic and diluted earnings per shares (HK\$) | <u>0.03</u> | <u>0.04</u> | <u>0.01</u> |

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. During the years ended 31 December 2015, 2016 and 2017, the Group has no dilutive potential ordinary shares.

12 Dividends

No dividend has been paid or declared by the Company since its incorporation.

Dividends during each of the years ended 31 December 2015, 2016 and 2017 represented dividends declared by the companies now comprising the Group to the ordinary and preference shareholders of the companies for each of the years ended 31 December 2015, 2016 and 2017, after elimination of intra-group dividends. The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report

13 Investment in a subsidiary

| | <u>As at 31 December 2017</u> |
|-------------------------------|---------------------------------------|
| Investment in unlisted shares | <u>HK\$'000</u> <u>540,000</u> |

Investment in a subsidiary is recorded at cost, which represents the fair value on the date of acquisition. Details of the direct and indirect subsidiaries of the Company are set out in Note 1.2.

14 Property, plant and equipment

| | Leasehold improvements <i>HK\$'000</i> | Furniture, fixtures and office equipment <i>HK\$'000</i> | Computer equipment <i>HK\$'000</i> | Motor vehicles <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|------------------------------------|--|--|--|--------------------------------------|--------------------------|
| Year ended 31 December 2015 | | | | | |
| Cost | | | | | |
| At 1 January 2015 | 603 | 3,399 | 2,570 | 1,136 | 7,708 |
| Additions | 751 | 151 | 931 | — | 1,833 |
| Disposals | (120) | — | — | (605) | (725) |
| Exchange differences | (146) | (562) | (488) | (138) | (1,334) |
| At 31 December 2015 | <u>1,088</u> | <u>2,988</u> | <u>3,013</u> | <u>393</u> | <u>7,482</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2015 | 445 | 3,237 | 2,289 | 1,136 | 7,107 |
| Charge for the year | 138 | 81 | 228 | — | 447 |
| Disposals | (110) | — | — | (605) | (715) |
| Exchange differences | (74) | (531) | (388) | (138) | (1,131) |
| At 31 December 2015 | <u>399</u> | <u>2,787</u> | <u>2,129</u> | <u>393</u> | <u>5,708</u> |
| Net book amount | <u>689</u> | <u>201</u> | <u>884</u> | <u>—</u> | <u>1,774</u> |
| Year ended 31 December 2016 | | | | | |
| Cost | | | | | |
| At 1 January 2016 | 1,088 | 2,988 | 3,013 | 393 | 7,482 |
| Additions | 113 | 399 | 612 | — | 1,124 |
| Disposals | — | (28) | (10) | — | (38) |
| Exchange differences | 32 | 87 | 86 | 12 | 217 |
| At 31 December 2016 | <u>1,233</u> | <u>3,446</u> | <u>3,701</u> | <u>405</u> | <u>8,785</u> |
| Accumulated depreciation | | | | | |
| At 1 January 2016 | 399 | 2,787 | 2,129 | 393 | 5,708 |
| Charge for the year | 158 | 76 | 517 | — | 751 |
| Disposals | — | (26) | (10) | — | (36) |
| Exchange differences | 10 | 86 | 59 | 12 | 167 |
| At 31 December 2016 | <u>567</u> | <u>2,923</u> | <u>2,695</u> | <u>405</u> | <u>6,590</u> |
| Net book amount | <u>666</u> | <u>523</u> | <u>1,006</u> | <u>—</u> | <u>2,195</u> |

| | <u>Leasehold improvements</u> <i>HK\$'000</i> | <u>Furniture, fixtures and office equipment</u> <i>HK\$'000</i> | <u>Computer equipment</u> <i>HK\$'000</i> | <u>Motor vehicles</u> <i>HK\$'000</i> | <u>Total</u> <i>HK\$'000</i> |
|------------------------------------|--|--|--|--|---------------------------------|
| Year ended 31 December 2017 | | | | | |
| Cost | | | | | |
| As at 1 January 2017 | 1,233 | 3,446 | 3,701 | 405 | 8,785 |
| Additions | 2,136 | 516 | 963 | — | 3,615 |
| Disposals | — | (1,605) | (162) | — | (1,767) |
| Exchange differences | 168 | 233 | 316 | 32 | 749 |
| | <u>3,537</u> | <u>2,590</u> | <u>4,818</u> | <u>437</u> | <u>11,382</u> |
| Accumulated depreciation | | | | | |
| As at 1 January 2017 | 567 | 2,923 | 2,695 | 405 | 6,590 |
| Charge for the year | 393 | 188 | 773 | — | 1,354 |
| Disposals | — | (1,605) | (162) | — | (1,767) |
| Exchange differences | 58 | 180 | 232 | 32 | 502 |
| | <u>1,018</u> | <u>1,686</u> | <u>3,538</u> | <u>437</u> | <u>6,679</u> |
| Net book amount | <u>2,519</u> | <u>904</u> | <u>1,280</u> | <u>—</u> | <u>4,703</u> |

Depreciation is included in the following categories in the consolidated statements of comprehensive income:

| | <u>Year ended 31 December</u> | | |
|-------------------------|--------------------------------|--------------------------------|--------------------------------|
| | <u>2015</u> <i>HK\$'000</i> | <u>2016</u> <i>HK\$'000</i> | <u>2017</u> <i>HK\$'000</i> |
| Selling expenses | 340 | 566 | 998 |
| Administrative expenses | 107 | 185 | 356 |
| | <u>447</u> | <u>751</u> | <u>1,354</u> |

15 Intangible assets

| | Computer software |
|------------------------------------|------------------------------|
| | <i>HK\$'000</i> |
| Year ended 31 December 2015 | |
| Cost | |
| At 1 January 2015 | 2,632 |
| Additions | 236 |
| Exchange differences | <u>(444)</u> |
| At 31 December 2015 | <u>2,424</u> |
| Accumulated amortisation | |
| At 1 January 2015 | 2,354 |
| Charge for the year | 219 |
| Exchange differences | <u>(398)</u> |
| At 31 December 2015 | <u>2,175</u> |
| Net book amount | <u>249</u> |
| Year ended 31 December 2016 | |
| Cost | |
| At 1 January 2016 | 2,424 |
| Additions | 2,189 |
| Exchange differences | <u>45</u> |
| At 31 December 2016 | <u>4,658</u> |
| Accumulated amortisation | |
| At 1 January 2016 | 2,175 |
| Charge for the year | 258 |
| Exchange differences | <u>64</u> |
| At 31 December 2016 | <u>2,497</u> |
| Net book amount | <u>2,161</u> |

| | <u>Computer software</u> <i>HK\$'000</i> |
|------------------------------------|---|
| Year ended 31 December 2017 | |
| Cost | |
| At 1 January 2017 | 4,658 |
| Additions | 3,361 |
| Exchange differences | <u>476</u> |
| At 31 December 2017 | <u><u>8,495</u></u> |
| Accumulated amortisation | |
| At 1 January 2017 | 2,497 |
| Charge for the year | 1,456 |
| Exchange differences | <u>243</u> |
| At 31 December 2017 | <u><u>4,196</u></u> |
| Net book amount | <u><u>4,299</u></u> |

Amortisation is included in the following categories in the consolidated statements of comprehensive income:

| | <u>Year ended 31 December</u> | | |
|-------------------------|-------------------------------|-------------------|---------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Selling expenses | 166 | 194 | 1,074 |
| Administrative expenses | <u>53</u> | <u>64</u> | <u>382</u> |
| | <u><u>219</u></u> | <u><u>258</u></u> | <u><u>1,456</u></u> |

16 Financial instruments by category

| | Loans and receivables | Available-for- sale financial asset | Total |
|---|----------------------------------|--|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <u>Assets as per consolidated statements of financial position</u> | | | |
| As at 31 December 2015 | | | |
| Trade receivables | 21,346 | — | 21,346 |
| Deposits and other receivables | 9,756 | — | 9,756 |
| Available-for-sale financial asset | — | 1,260 | 1,260 |
| Amount due from a related company | 870 | — | 870 |
| Cash and cash equivalents | 49,030 | — | 49,030 |
| | <u>81,002</u> | <u>1,260</u> | <u>82,262</u> |
| As at 31 December 2016 | | | |
| Trade receivables | 25,453 | — | 25,453 |
| Deposits and other receivables | 17,926 | — | 17,926 |
| Available-for-sale financial asset | — | 1,300 | 1,300 |
| Restricted term deposit | 41,405 | — | 41,405 |
| Cash and cash equivalents | 71,160 | — | 71,160 |
| | <u>155,944</u> | <u>1,300</u> | <u>157,244</u> |
| As at 31 December 2017 | | | |
| Trade receivables | 28,228 | — | 28,228 |
| Deposits and other receivables | 30,019 | — | 30,019 |
| Available-for-sale financial asset | — | 1,401 | 1,401 |
| Restricted term deposit | 45,016 | — | 45,016 |
| Cash and cash equivalents | 65,417 | — | 65,417 |
| | <u>168,680</u> | <u>1,401</u> | <u>170,081</u> |

| | Liabilities at amortised cost <i>HK\$'000</i> |
|--|---|
| Liabilities as per consolidated statements of financial position | |
| As at 31 December 2015 | |
| Trade payables | 109 |
| Amount due to a related company | 34 |
| Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses) | 45,965 |
| Bank borrowings | 217 |
| Redeemable preference shares | <u>62,097</u> |
| Total | <u><u>108,422</u></u> |
| As at 31 December 2016 | |
| Trade payables | 6 |
| Amount due to a related company | 817 |
| Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses) | 66,080 |
| Bank borrowings | 62 |
| Redeemable preference shares | 50,935 |
| Loans from shareholders | <u>29,440</u> |
| Total | <u><u>147,340</u></u> |
| As at 31 December 2017 | |
| Trade payables | 25 |
| Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses) | 85,118 |
| Bank borrowings | <u>37,243</u> |
| Total | <u><u>122,386</u></u> |

17 Available-for-sale financial assets

Available-for-sale financial assets mainly represent a government bond held by the Canadian government and an investment in a related party.

The carrying value of the government bond held by the Canadian government denominated in CAD amounts to \$225,000 as at 31 December 2015, 2016 and 2017 (equivalent to approximately HK\$1,260,000, HK\$1,300,000 and HK\$1,401,000 as at 31 December 2015, 2016 and 2017). The interest rate for the bond is 2.2% with a maturity date of 1 December 2018.

The bond is held as a security pledge for the operating permits required under the Québec Travel Agents Act by the OPC.

The investment in a related party, 1372979 Ontario Inc., is in the form of 5,000 non-voting preferred shares. The carrying amount of this investment was CAD\$1 (equivalent to HK\$6) as at 31 December 2015 and 2016. The Group disposed of these preference shares on 1 January 2017 at their carrying value, which is equal to their fair value, giving rise to no gain or loss.

18 Trade receivables

| | <u>As at 31 December</u> | | |
|----------------------------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Incentive commission receivables | 19,212 | 24,652 | 27,329 |
| Other trade receivables | <u>2,134</u> | <u>801</u> | <u>899</u> |
| | <u>21,346</u> | <u>25,453</u> | <u>28,228</u> |

Trade receivables primarily represent incentive commission receivables from airlines. The payment periods from customers generally range from 30 to 60 days.

The Group has not provided for any impairment of trade receivables at each reporting date, as all receivables have been historically collected.

The aging analysis of trade receivables based on invoice date is as follows:

| | <u>As at 31 December</u> | | |
|-----------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 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 | <u>16</u> | <u>67</u> | <u>164</u> |
| | <u>21,346</u> | <u>25,453</u> | <u>28,228</u> |

As at 31 December 2015, 2016 and 2017, trade receivables of HK\$403,000, HK\$1,387,000 and HK\$482,000 respectively were past due but not impaired. These primarily represent incentive commission receivables from airlines and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables, based on due date, is as follows:

| | <u>As at 31 December</u> | | |
|-------------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <u>Overdue</u> | | | |
| Less than 30 days | 3 | — | — |
| 31 to 90 days | 384 | 1,387 | 228 |
| Over 90 days | 16 | — | 254 |
| | <u>403</u> | <u>1,387</u> | <u>482</u> |

The carrying amounts of trade receivables approximate their fair values at each reporting date and are denominated in the following currencies:

| | <u>As at 31 December</u> | | |
|-----|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| CAD | 17,238 | 20,358 | 25,932 |
| USD | 4,108 | 5,095 | 2,296 |
| | <u>21,346</u> | <u>25,453</u> | <u>28,228</u> |

The maximum exposure to credit risk is the carrying amount of trade receivables and the Group does not have any receivables held as collateral or security.

19 Prepayments, deposits and other receivables – Group and Company

| | <u>Group</u> | | | <u>Company</u> |
|--|--------------------------|-----------------|-----------------|--------------------------|
| | <u>As at 31 December</u> | | | <u>As at 31 December</u> |
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Rental and other deposits | 1,285 | 1,291 | 1,330 | — |
| Prepaid expenses | 867 | 995 | 572 | — |
| Prepaid tour and air ticket costs | 1,312 | 2,269 | 4,021 | — |
| Deferred listing expenses | — | — | 6,619 | 6,619 |
| Receivables from travel companies for ticket costs | 7,834 | 16,123 | 28,161 | — |
| Other receivables | 637 | 512 | 528 | — |
| | <u>11,935</u> | <u>21,190</u> | <u>41,231</u> | <u>6,619</u> |

The carrying amounts of deposits and other receivables approximated their fair values at each reporting date. The deposits and other receivables are denominated in the following currencies:

| | <u>Group</u> | | | <u>Company</u> |
|--------|--------------------------|-----------------|-----------------|--------------------|
| | <u>As at 31 December</u> | | | <u>As at</u> |
| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>31 December</u> |
| | <u>HK\$'000</u> | <u>HK\$'000</u> | <u>HK\$'000</u> | <u>2017</u> |
| | | | | <u>HK\$'000</u> |
| CAD | 7,497 | 10,307 | 19,113 | — |
| USD | 2,246 | 7,607 | 10,892 | — |
| Others | 13 | 12 | 14 | — |
| | <u>9,756</u> | <u>17,926</u> | <u>30,019</u> | <u>—</u> |

20 Cash and cash equivalents

| | <u>As at 31 December</u> | | |
|---------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <u>HK\$'000</u> | <u>HK\$'000</u> | <u>HK\$'000</u> |
| Cash on hand | 62 | 61 | 67 |
| Cash at banks | <u>48,968</u> | <u>71,099</u> | <u>65,350</u> |
| | <u>49,030</u> | <u>71,160</u> | <u>65,417</u> |

Cash at banks and on hand are denominated in the following currencies:

| | <u>As at 31 December</u> | | |
|--------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <u>HK\$'000</u> | <u>HK\$'000</u> | <u>HK\$'000</u> |
| CAD | 42,047 | 58,557 | 48,183 |
| USD | 6,734 | 12,533 | 17,062 |
| Others | <u>249</u> | <u>70</u> | <u>172</u> |
| | <u>49,030</u> | <u>71,160</u> | <u>65,417</u> |

As at 31 December 2015, 2016 and 2017, the Group has cash held in trust accounts from customers of HK\$16,826,000, HK\$14,911,000 and HK\$26,257,000, respectively, which is included in the Group's cash and cash equivalents balances. These amounts are restricted in respect of local regulatory requirements and can only be used for the purchase of travel services. This restricted cash, together with other cash and cash equivalents, are managed by the Group for capital risk management.

21 Restricted term deposit

As at 31 December 2016 and 2017, the restricted term deposit represents a term deposit that is held as security to the bank for the letters of guarantee issued to IATA (Note 26). The interest rate ranges from 0.85% to 1% per annum and the term deposit was mature on 2 February 2018.

22 Deferred income tax — Group and Company

The analysis of deferred income tax assets and liabilities of the Group and Company is as follows:

| | Group | | | Company |
|---|-------------------|----------|----------|----------------------|
| | As at 31 December | | | As at 31 December |
| | 2015 | 2016 | 2017 | 2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Deferred income tax assets | | | | |
| — to be recovered after more than 12 months | 22 | 21 | 5,347 | 5,339 |
| — to be recovered within 12 months | 194 | 134 | 1,482 | 1,335 |
| | 216 | 155 | 6,829 | 6,674 |
| Deferred income tax liabilities | | | | |
| — to be recovered after more than 12 months | — | (241) | (593) | — |
| | — | (241) | (593) | — |

Deferred income tax assets and liabilities are offset when taxes are related to the same taxation authority and where offsetting is legally enforceable.

The net movements on the deferred income tax accounts of the Group are as follows:

| | HK\$'000 |
|--|----------|
| At 1 January 2015 | 301 |
| Charged to the consolidated statements of comprehensive income (Note 10) | (85) |
| At 31 December 2015 | 216 |
| At 1 January 2016 | 216 |
| Charged to the consolidated statements of comprehensive income (Note 10) | (302) |
| At 31 December 2016 | (86) |
| At 1 January 2017 | (86) |
| Charged to the consolidated statements of comprehensive income (Note 10) | 4,834 |
| Netted against deferred listing expenses | 1,488 |
| At 31 December 2017 | 6,236 |

The gross movement of deferred income tax assets and liabilities during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets — Group and Company

| | Decelerated tax depreciation | Tax losses | Total |
|---|---|-------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1 January 2015 | 301 | — | 301 |
| (Charged)/credited to the consolidated statements of comprehensive income (Note 10) | <u>(279)</u> | <u>194</u> | <u>(85)</u> |
| At 31 December 2015 | <u>22</u> | <u>194</u> | <u>216</u> |
| At 1 January 2016 | 22 | 194 | 216 |
| Charged to the consolidated statements of comprehensive income (Note 10) | <u>(22)</u> | <u>(39)</u> | <u>(61)</u> |
| At 31 December 2016 | <u>—</u> | <u>155</u> | <u>155</u> |
| At 1 January 2017 | — | 155 | 155 |
| Credited to the consolidated statements of comprehensive income (Note 10) | — | 5,186 | 5,186 |
| Netted against deferred listing expense | <u>—</u> | <u>1,488</u> | <u>1,488</u> |
| At 31 December 2017 | <u>—</u> | <u>6,829</u> | <u>6,829</u> |

As at 31 December 2017, the Company has recognised deferred tax asset of HK\$6,674,000 in relation to the listing expenses incurred which will be deductible for tax purposes in the future under Canadian tax regulations.

Deferred income tax liabilities — Group

| | Accelerated tax depreciation <i>HK\$'000</i> |
|--|--|
| At 1 January 2015 and 2016 | — |
| Charged to the consolidated statements of comprehensive income (Note 10) | <u>(241)</u> |
| At 31 December 2016 | <u>(241)</u> |
| At 1 January 2017 | (241) |
| Charged to the consolidated statements of comprehensive income (Note 10) | <u>(352)</u> |
| At 31 December 2017 | <u>(593)</u> |

The Group has U.S. state and city tax losses in the amount of HK\$1,599,000, HK\$1,422,000 and HK\$1,250,000 for the years ended 31 December 2015, 2016 and 2017, respectively, which are available for offsetting against future taxable profits of the company in which the losses arose. These tax losses expire by 31 December 2038 and are subject to further approval by the relevant tax authority. The Group has capital tax losses in Canada of HK\$347,000, HK\$336,000 and HK\$345,000 for the years ended 31 December 2015, 2016 and 2017, respectively, with no expiry dates. There is no unrecognised deferred tax asset resulting from tax losses during the Track Record Period.

23 Share capital and other reserve — Group and Company**(a) Share capital — Group and Company**

| | Number of ordinary shares | Nominal value of ordinary shares <i>HK\$'000</i> |
|---|--|--|
| <u>Note</u> | <u>shares</u> | <u>shares</u> |
| Authorised: | | |
| Ordinary shares of HK\$0.0001 each as at 31 December 2017 (‘000) | <u>90,000,000</u> | <u>9,000</u> |
| Issued: | | |
| At 18 August 2017 (date of incorporation) | (i) 1 | 1 |
| Issue of shares during Reorganisation | (ii) <u>899,999,999</u> | <u>89</u> |
| At 31 December 2017 | <u>900,000,000</u> | <u>90</u> |

Notes:

- (i) On 18 August 2017, the Company was incorporated under the laws of Ontario, Canada and registered by way of continuation in the Cayman Islands with an authorised share capital of an unlimited number of ordinary shares. Upon incorporation, one ordinary share of the Company was issued.
- (ii) On 9 October 2017, the Company issued and allotted 899,999,999 shares of the Company to RT Group, AT Holdings and DC Holdings (Note 1.2) and offset against "other reserve".

(b) Other reserve — Group

The other reserve presented in the consolidated statements of financial position during the Track Record Period represented the difference between the face value and the redemption value of the 10,000,000 Class A redeemable preference shares issued to the shareholders on 1 September 2011.

Upon completion of the exchange of redeemable preference shares into the ordinary shares of the Company on 9 October 2017 for Reorganisation (Note 1.2), the carrying amount of redeemable preference shares amounting to HK\$54,920,000 was recorded in other reserve (Note 27).

(c) Other reserve — Company

As part of the Reorganisation (Note 1.2), the Company acquired interests in subsidiaries and assets and liabilities related to the Business from Mrs. Tsang, Ms. Tsu and Dr. Chu. The balance represented the contributed surplus after the completion of the Reorganisation.

24 Trade payables

The aging analysis of the trade payables based on invoice dates is as follows:

| | <u>As at 31 December</u> | | |
|---------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| 0 to 30 days | 109 | 6 | 24 |
| 31 to 60 days | — | — | 1 |
| 61 to 90 days | — | — | — |
| Over 90 days | — | — | — |
| | <u>109</u> | <u>6</u> | <u>25</u> |

The carrying amounts of the trade payables approximate their fair values as at 31 December 2015, 2016 and 2017 and are all denominated in CAD.

25 Accruals and other payables — Group and Company

| | Group | | | Company |
|---|-------------------|-----------------|-----------------|----------------------|
| | As at 31 December | | | As at 31 December |
| | 2015 | 2016 | 2017 | 2017 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Accrued staff costs and management fees | 3,603 | 3,989 | 1,760 | — |
| Accrued expenses | 4,514 | 5,009 | 5,350 | — |
| Payables to airlines (Note) | 21,144 | 25,664 | 47,286 | — |
| Receipt in advance from a customer in relation to travel business process management | 15,219 | 29,061 | 25,758 | — |
| Deferred revenue | 3,516 | 5,370 | 7,132 | — |
| Sales tax payable | 905 | 1,162 | 791 | — |
| Payables to travel companies | 1,702 | 1,490 | 1,198 | — |
| Other payables | 3,386 | 4,856 | 5,526 | — |
| | 53,989 | 76,601 | 94,801 | — |

Note:

The payables to airlines include amounts collected from customers reserved only for the purchase of travel services.

The carrying amounts of the accruals and other payables (excluding non-financial liabilities) approximate their fair values as at 31 December 2015, 2016 and 2017. The carrying amounts of the accruals and other payables (excluding non-financial liabilities) are denominated in the following currencies:

| | Group | | | Company |
|-----|-------------------|-----------------|-----------------|----------------------|
| | As at 31 December | | | As at 31 December |
| | 2015 | 2016 | 2017 | 2017 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| CAD | 43,456 | 62,849 | 72,299 | — |
| USD | 2,509 | 3,231 | 12,819 | — |
| | 45,965 | 66,080 | 85,118 | — |

26 Bank borrowings and banking facilities**(a) Bank borrowings**

| | <u>As at 31 December</u> | | |
|-----------------------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest-bearing bank loans | | | |
| <i>CAD denominated</i> | | | |
| — Current | — | — | 37,243 |
| <i>USD denominated</i> | | | |
| — Current | 155 | 62 | — |
| — Non-current | 62 | — | — |
| | <u>217</u> | <u>62</u> | <u>37,243</u> |

The bank loans due for repayment, based on the scheduled repayment dates set out in the loan agreements, are as follows:

| | <u>As at 31 December</u> | | |
|-----------------------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Interest-bearing bank loans | | | |
| — Within 1 year | 155 | 62 | 37,243 |
| — Between 1 to 2 years | 62 | — | — |
| | <u>217</u> | <u>62</u> | <u>37,243</u> |

The carrying amounts of the bank borrowings approximate their fair values.

The weighted average interest rate is 4.8%, 4.2% and 3.1% for the years ended 31 December 2015, 2016 and 2017 respectively.

(b) Banking facilities

As at 31 December 2015, 2016 and 2017, the Group has banking facilities available in the form of letters of guarantee of HK\$7,340,000, HK\$60,534,000 and HK\$195,932,000, in which HK\$620,000, HK\$42,054,000 and HK\$69,341,000 are utilised and provided to IATA and Airline Reporting Corporation for financial security, and in the form of an on demand non-revolving loan of nil, nil and HK\$68,478,000, respectively.

As at 31 December 2015, 2016 and 2017, the banking facilities were secured by unlimited personal recourse from individuals related to the Group, trade and other receivables and cash and cash equivalents of the Group and a security subordination agreement in favour of one of the banks. The unlimited personal guarantee was released on 8 September 2017.

As at 31 December 2017, the banking facilities are also secured by a guarantee from a Canadian Crown corporation, an enterprise wholly owned by the Government of Canada, in the amount of HK\$56,028,000. As at 31 December 2016 and 2017 a restricted term deposit is held with the bank in the amount of HK\$41,405,000 and HK\$45,016,000 respectively (Note 21).

The USD denominated loan is unsecured and was fully repaid as at 30 June 2017.

The Group does not have unutilised on demand non-revolving loan facilities as at 31 December 2015 and 2016. The Group has an unutilised on demand non-revolving loan facility of HK\$31,235,000 as at 31 December 2017.

The Group is in compliance with all banking covenants as at 31 December 2015, 2016 and 2017.

27 Redeemable preference shares

As at 31 December 2015 and 2016, TE Canada has 8,800,000 and 7,000,000 Class A preference shares respectively, with the following features:

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

As at 31 December 2015 and 2016, TE Canada also has 775 Class C special shares at each reporting date. The special shares had the following feature:

- redeemable and retractable at the option of the holders or the company any time at CAD0.10 per share.

The Group has recognised these redeemable preference shares as a current liability on the consolidated statements of financial position as at 31 December 2015 and 2016 as these shares are redeemable at the option of the holders at any time. On 9 October 2017, the Class C special shares were redeemed at CAD0.10 per share, which approximates to HK\$500, and the Class A preference shares were exchanged for common shares in the share capital of TE Canada (Note 1.2). The redeemable preference shares recognised in the consolidated statements of financial positions is calculated as follows:

| | <u>As at 31 December</u> | | |
|--|--------------------------|----------------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Beginning of year | 84,213 | 62,097 | 50,935 |
| Payment of redemption of preference shares | (8,455) | (13,470) | — |
| Exchange of redeemable preference shares upon Reorganisation (Note) | <u>—</u> | <u>—</u> | <u>(54,920)</u> |
| Exchange differences | <u>(13,661)</u> | <u>2,308</u> | <u>3,985</u> |
| End of year | <u><u>62,097</u></u> | <u><u>50,935</u></u> | <u><u>—</u></u> |

Note:

Upon completion of the exchange of redeemable preference shares into the ordinary shares of the Company on 9 October 2017 for Reorganisation (Note 1.2), the carrying amount of redeemable preference shares amounting to HK\$54,920,000 was recorded in other reserve (Note 23(b)).

28 Cash generated from operations

| | <u>Year ended 31 December</u> | | |
|--|-------------------------------|----------------------|----------------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cash flows from operating activities | | | |
| Profit before income tax | 34,360 | 48,062 | 17,897 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 447 | 751 | 1,354 |
| Amortisation of intangible assets | 219 | 258 | 1,456 |
| Finance (income)/costs, net | (184) | 292 | 461 |
| (Gain)/loss on disposal of property, plant and equipment | <u>(236)</u> | <u>2</u> | <u>—</u> |
| Operating cash flows before changes in working capital | 34,606 | 49,365 | 21,168 |
| Changes in working capital: | | | |
| Trade receivables | (14,346) | (3,497) | (1,560) |
| Prepayments, deposits and other receivables | (3,480) | (9,016) | (10,511) |
| Amounts due from/(to) related parties | 817 | 1,745 | — |
| Trade payables | 385 | (172) | 18 |
| Accruals and other payables | <u>13,094</u> | <u>21,368</u> | <u>11,654</u> |
| Cash generated from operations | <u><u>31,076</u></u> | <u><u>59,793</u></u> | <u><u>20,769</u></u> |

In the consolidated statements of cash flows, proceeds from disposals of property, plant and equipment comprise:

| | <u>Year ended 31 December</u> | | |
|--|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Property, plant and equipment | | | |
| Net book value | 10 | 2 | — |
| Gain/(loss) on disposal of property, plant and equipment | 236 | (2) | — |
| Proceeds from disposals of property, plant and equipment | <u>246</u> | <u>—</u> | <u>—</u> |

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

| | <u>As at 31 December</u> | | |
|------------------------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cash and cash equivalents | 49,030 | 71,160 | 65,417 |
| Bank borrowings | (217) | (62) | (37,243) |
| Redeemable preference shares | (62,097) | (50,935) | — |
| Loans from shareholders | — | (29,440) | — |
| | <u>(13,284)</u> | <u>(9,277)</u> | <u>28,174</u> |

| | <u>Cash and cash equivalents</u> | <u>Bank borrowings</u> | <u>Redeemable preference shares</u> | <u>Loans from shareholders</u> | <u>Total</u> |
|--|----------------------------------|------------------------|-------------------------------------|--------------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net debt as at 1 January 2015 | 54,084 | (372) | (84,213) | — | (30,501) |
| Cash flows | 3,895 | 155 | 8,455 | — | 12,505 |
| Foreign exchange adjustments | (8,949) | — | 13,661 | — | 4,712 |
| Net debt as at 31 December 2015 | 49,030 | (217) | (62,097) | — | (13,284) |
| Cash flows | 20,853 | 155 | 13,470 | (29,865) | 4,613 |
| Foreign exchange adjustments | 1,277 | — | (2,308) | 425 | (606) |
| Net debt as at 31 December 2016 | 71,160 | (62) | (50,935) | (29,440) | (9,277) |
| Cash flows | (7,680) | (35,974) | — | 29,707 | (13,947) |
| Foreign exchange adjustments | 1,937 | (1,207) | (3,985) | (267) | (3,522) |
| Other non-cash movements (Note 1.2) | — | — | 54,920 | — | 54,920 |
| Net debt as at 31 December 2017 | <u>65,417</u> | <u>(37,243)</u> | <u>—</u> | <u>—</u> | <u>28,174</u> |

29 Contingent liabilities

From time to time, the Group may be subject to various legal claims arising in the normal course of business. The ultimate outcome of these claims cannot be determined. However, management considers an outflow of resources for these claims is not probable,

therefore no provision has been recognised in the Historical Financial Information during the Track Record Period.

30 Commitments

Throughout the Track Record Period, the Group leases a number of premises under non-cancellable operating leases, including the head office location owned by the three directors and retail office premises. The leases are for various terms and are generally renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | As at 31 December | | |
|---|-------------------|--------------|--------------|
| | 2015 | 2016 | 2017 |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| No later than 1 year | 2,556 | 2,715 | 2,549 |
| Later than 1 year and no later than 5 years | 4,329 | 3,158 | 1,319 |
| | <u>6,885</u> | <u>5,873</u> | <u>3,868</u> |

31 Related party balances and transactions — Group and Company

For the purposes of the Historical Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

Management is of the view that the following were related parties that had transactions or balances with the Group as at and during each of the years ended 31 December 2015, 2016 and 2017 as they are owned by certain directors of the Company.

| <u>Name</u> | <u>Relationships</u> |
|---|---------------------------------|
| 1372979 Ontario Inc. | Controlled by certain directors |
| Beijing Dynasty International Travel Co. Ltd. | Controlled by certain directors |
| Mrs. Tsang | Director |
| Ms. Tsu | Director |
| Dr. Chu | Director |

The investment in 1372979 Ontario Inc. was disposed of on 1 January 2017 (Note 17) as the directors disposed of their interests in the company. 1372979 Ontario Inc. and Beijing Dynasty International Travel Co. Ltd. are no longer related parties of the Group effective on 1 January 2017.

(a) Amounts due from/(to) related companies

The Group has the following material non-trade balances due from a related party:

| | <u>As at 31 December</u> | | |
|------------------------|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <u>HK\$'000</u> | <u>HK\$'000</u> | <u>HK\$'000</u> |
| — 1372979 Ontario Inc. | 870 | — | — |

The Group has the following material trade balances due to a related party:

| | <u>As at 31 December</u> | | |
|---|--------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <u>HK\$'000</u> | <u>HK\$'000</u> | <u>HK\$'000</u> |
| — Beijing Dynasty International Travel Co. Ltd. | (34) | (817) | — |

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

(b) Loans from shareholders

Loans from shareholders of HK\$29,440,000 as at 31 December 2016 are unsecured, bear interest at 3% per annum and are repayable on 1 January 2018. The loans were early repaid on 30 June 2017.

(c) Amounts due to subsidiaries

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The carrying value of these balances approximate their fair values at each reporting date and are denominated in CAD and USD.

(d) Transactions with related parties

In addition to those disclosed elsewhere in the Historical Financial Information, the following transactions were undertaken by the Group with Beijing Dynasty International Travel Co. Ltd. during the Track Record Period:

| | <u>Year ended 31 December</u> | | |
|---|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Service fees to Beijing Dynasty International Travel Co. Ltd. | <u>2,950</u> | <u>6,240</u> | <u>—</u> |
| Travel products and services purchases from Beijing Dynasty International Travel Co. Ltd. | <u>3,149</u> | <u>3,071</u> | <u>—</u> |
| Travel products and services sales to Beijing Dynasty International Travel Co. Ltd. | <u>218</u> | <u>204</u> | <u>—</u> |

The transactions were conducted in the ordinary course of business of the Group, and they were mutually agreed by both parties at a fixed sum or charged based on cost incurred. Beijing Dynasty International Travel Co. Ltd. is no longer a related party of the Group upon the disposal of the investment in 1372979 Ontario Inc. on 1 January 2017 (Note 17).

(e) Transactions with key management personnel

Key management includes directors (executive) and the senior management of the Group. The Group had the following transactions with key management personnel during the Track Record Period:

| | <u>Year ended 31 December</u> | | |
|--|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Rental expenses of office premise (Note (i)) | <u>909</u> | <u>966</u> | <u>1,084</u> |
| Interest expenses on loans from shareholders (Note (ii)) | <u>—</u> | <u>813</u> | <u>448</u> |

Notes:

- (i) The transactions were mutually agreed by both parties at a fixed sum or charged based on cost incurred.
- (ii) The interest expenses were in respect of loans from shareholders, the term of which are set out in Note 31(b) above.

(f) Financial guarantee

The Group has provided an unlimited corporate guarantee for the term loan mortgage facilities of HK\$18,839,000 available to the three ultimate shareholder individuals as a result of the refinancing of the Group's corporate head office property personally held. The facilities are secured by the property, and are expiring from 16 March 2021 to 21 September 2021. The unlimited corporate guarantee was released on 8 September 2017.

(g) Key management compensation

The compensation paid or payable to key management for employee services during the Track Record Period are shown below:

| | <u>Year ended 31 December</u> | | |
|-----------------------------------|-------------------------------|-----------------|-----------------|
| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Fees | 1,818 | 1,053 | 1,083 |
| Salaries, allowances and benefits | <u>8,584</u> | <u>8,767</u> | <u>7,674</u> |
| | <u>10,402</u> | <u>9,820</u> | <u>8,757</u> |

32 Benefits and interests of directors

(a) Directors' emoluments

The remuneration of each director paid/payable by the Group for each of the years ended 31 December 2015, 2016 and 2017 are as follows:

Year ended 31 December 2015

| | Emoluments paid or receivable in respect of a person's services as a Director, whether of the Company or its subsidiaries undertaking | | | | | | | | | |
|----------------------------|--|--------------------|--------------------------------------|----------------------------------|--|---|--|---|-------------------|--|
| | Fees HK\$'000 | Salary HK\$'000 | Discretionary bonuses HK\$'000 | Housing allowance HK\$'000 | Estimated money value of other benefits HK\$'000 | Employer's contribution of a retirement benefit scheme HK\$'000 | Remunerations paid or receivable in respect of accepting office as director HK\$'000 | Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking HK\$'000 | Total HK\$'000 | |
| Executive directors | | | | | | | | | | |
| Mrs. Tsang | 606 | — | — | — | — | — | — | 2,577 | 3,183 | |
| Ms. Tsu | 606 | — | — | — | — | — | — | 2,577 | 3,183 | |
| Dr. Chu | 606 | — | — | — | — | — | — | — | 606 | |
| | 1,818 | — | — | — | — | — | — | 5,154 | 6,972 | |

Year ended 31 December 2016

Emoluments paid or receivable in respect of a person's services as a Director,
whether of the Company or its subsidiaries undertaking

| Fees HK\$'000 | Salary HK\$'000 | Discretionary bonuses HK\$'000 | Housing allowance HK\$'000 | Estimated money of value of other benefits HK\$'000 | Employer's contribution of a retirement benefit scheme HK\$'000 | Remunerations paid or receivable in respect of accepting office as director HK\$'000 | Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking HK\$'000 | Total HK\$'000 |
|----------------------------|--------------------|--------------------------------------|----------------------------------|--|---|--|---|-------------------|
| Executive directors | | | | | | | | |
| | 351 | — | — | — | — | — | 2,109 | 2,460 |
| | 351 | — | — | — | — | — | 2,109 | 2,460 |
| | 351 | — | — | — | — | — | — | 351 |
| 1,053 | — | — | — | — | — | — | 4,218 | 5,271 |

Year ended 31 December 2017

Emoluments paid or receivable in respect of a person's services as a Director,
whether of the Company or its subsidiaries undertaking

| | Fees HK\$'000 | Salary HK\$'000 | Discretionary bonuses HK\$'000 | Housing allowance HK\$'000 | Estimated money of value of other benefits HK\$'000 | Employer's contribution of a retirement benefit scheme HK\$'000 | Remunerations paid or receivable in respect of accepting office as director HK\$'000 | Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiaries undertaking HK\$'000 | Total HK\$'000 |
|----------------------------|------------------|--------------------|--------------------------------------|----------------------------------|--|---|--|---|-------------------|
| Executive directors | | | | | | | | | |
| Mrs. Tsang | 361 | — | — | — | — | — | — | 2,168 | 2,529 |
| Ms. Tsu | 361 | — | — | — | — | — | — | 2,168 | 2,529 |
| Dr. Chu | 361 | — | — | — | — | — | — | — | 361 |
| | 1,083 | — | — | — | — | — | — | 4,336 | 5,419 |

There was no arrangement during the Track Record Period under which a director waived or agreed to waive any remuneration, and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

Mrs. Tsang and Ms. Tsu were appointed as the Company's executive directors on 18 August 2017.

Dr. Chu was appointed as the Company's non-executive director on 18 August 2017.

Dr. Michael Edward Ricco, Mrs. Kitty Yuk-Yee Yeung and Mr. Sik Yuen Lau were appointed as the Company's independent non-executive directors on May 7, 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

No director waived or agreed to waive any emoluments during the years ended 31 December 2015, 2016 and 2017.

(b) Directors' termination benefits

None of the directors received any termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, the Group did not pay consideration to any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

Except for items disclosed in Note 30, there are no other loans, quasi-loans and other dealing arrangements in favour of directors, bodies corporate controlled by and entities connected with such Directors as at 31 December 2015, 2016 and 2017.

(e) Directors' material interests in transactions, arrangements or contracts

Except for items disclosed in Note 30, there are no other significant transactions, arrangements, and contracts in relation to the Group's business to which the Company and/or Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended 31 December 2015, 2016 and 2017.

33 Subsequent events

- (a) In February 2018, the Group has collected restricted term deposit from the bank upon the expiry of a banking facilities, which approximates to HK\$45,016,000 as at 31 December 2017.
- (b) Pursuant to a written resolutions of shareholders dated May 7, 2018, the Company conditionally adopted a share option scheme under which the board of directors may grant options to eligible participants of the Group to subscribe shares of the Company. No options have been granted up to the date of this report.

Save as disclosed above, there have been no material events subsequent to the Track Record Periods, which require adjustment or disclosure in accordance with IFRSs.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the Companies comprising the Group in respect of any period subsequent to 31 December 2017 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2017.

The information set forth in this appendix does not form part of the Accountant's Report prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included in this appendix for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis set out below is for illustrative purpose only, and is set out herein to illustrate the effect of the Share Offer on the net tangible asset of our Group attributable to the owners of the Company as at 31 December 2017 as if it had taken place on 31 December 2017.

The unaudited pro forma adjusted net tangible assets of our Group has been prepared for illustrative purpose 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 at 31 December 2017 or as at any future dates.

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

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 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 the Group attributable to the owners of the Company as at 31 December 2017 of HK\$64,697,000 with an adjustment for the intangible assets as at 31 December 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 the Group (excluding approximately HK\$19,571,000 listing expenses which have been charged to our consolidated statement of comprehensive income up to 31 December 2017) and takes no account of any Shares which may be granted and issued by the 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 the 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 31 December 2017), without taking into account of any Shares which may be granted and issued by the 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 the 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 the Group entered into subsequent to 31 December 2017.

(B) REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of CTEH Inc.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of CTEH Inc. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 December 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 15 June 2018, in connection with the proposed share offer of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed share offer on the Group's financial position as at 31 December 2017 as if the proposed share offer had taken place at 31 December 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the year ended 31 December 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

*PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed share offer at 31 December 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 15 June 2018

Summary of the Constitution of our Company and the Cayman Islands Companies Law

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Islands Companies law.

The Company was continued into the Cayman Islands as an exempted company with limited liability on October 20, 2017 under the Cayman Islands Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the *Memorandum*) and its Amended and Restated Articles of Association (the *Articles*).

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 1, 2018. A summary of certain provisions of the Articles is set out below.

2.1 Shares**(a) Classes of shares**

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Islands Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a

corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so canceled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Islands Companies Law and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the

principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognize any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment, the Board may, for so long as any part of the call or installment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors**(a) Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional

Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Islands Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Islands Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without

prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Islands Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Islands Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/ are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Islands Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A

person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' (and not less than 20 clear business days') notice in writing, and any other general meeting of the Company shall be called by at least 14 days' (and not less than 10 clear business days') notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Islands Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company

and of all other matters required by the Cayman Islands Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Islands Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by check or warrant sent through the post. Every such check or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the check or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies

so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending checks for dividend entitlements or dividend warrants by post if such checks or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a check or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Islands Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Islands Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANIES LAW

The Company was continued into the Cayman Islands as an exempted company on October 20, 2017 subject to the Cayman Islands Companies Law. Certain provisions of the Cayman Islands Companies law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

3.2 Share capital

Under the Cayman Islands Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company

issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Cayman Islands Companies Law;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if

authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as canceled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Islands Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either canceled or transferred pursuant to the Cayman Islands Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Islands Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal,

fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

3.15 Register of Directors and officers

Pursuant to the Cayman Islands Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up: (i) by an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisor on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of the Cayman Islands Companies Law. This letter, together with a copy of the Cayman Islands Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of the Cayman Islands Companies law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated on August 18, 2017 under the laws of the province of Ontario, Canada and registered by way of continuation in the Cayman Islands as an exempted company with limited liability on October 20, 2017. Our Company has established a principal place of business in Hong Kong at 31/F, 148 Electric Road North Point, Hong Kong and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on January 9, 2018. Mr. Kai Yu Chow who resides at 5G Capilano Court, Pictorial Garden, Shatin, Hong Kong have been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was continued in the Cayman Islands, we operate subject to the Cayman Islands Companies Law and our constitution comprising the Memorandum and the Articles. A summary of certain provisions of our Company's constitution and relevant aspects of the company law of the Cayman Islands is set out in Appendix III to this prospectus.

2. Changes in share capital

Our Company was incorporated on August 18, 2017 under the laws of the province of Ontario, Canada with an authorized share capital of an unlimited number of common shares, of which one Share was issued and allotted to RT Group.

On October 9, 2017, our Company issued and allotted 496,799,999, 248,400,000 and 82,800,000 Shares to RT Group, AT Holdings and DC Holdings, respectively.

On October 9, 2017, our Company issued and allotted 43,200,000, 21,600,000 and 7,200,000 Shares to RT Group, AT Holdings and DC Holdings, respectively.

Pursuant to a special resolution of our Company passed on October 20, 2017, the authorized share capital of our Company was set as HK\$9,000,000 divided into 90,000,000,000 Shares of par value HK\$0.0001 each upon our continuation in the Cayman Islands.

Immediately following the completion of the Share Offer but taking into no account of any Shares which may be issued upon exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$120,000 divided into 1,200,000,000 Share of HK\$0.0001 each, all fully paid or credited as fully paid.

Save for the aforesaid, there has been no alteration in the share capital of our Company since our inception.

3. Resolutions in writing of the Shareholders of our Company

- (i) Pursuant to written resolutions of the Shareholders of our Company dated May 7, 2018 and June 1, 2018:
 - (a) we approved and conditionally adopted the Memorandum of Association which will become effective from the Listing Date;
 - (b) we approved and conditionally adopted the Articles of Association which will become effective from the Listing Date;

- (c) conditional on (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, Shares to be issued pursuant to the Share Offer and Shares to be issued as mentioned in this prospectus (including any additional Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme); (ii) the entering into of the agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (i) the Share Offer was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Share Offer;
 - (ii) the Over-allotment Option was approved;
 - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Other Information — 1. Share Option Scheme” below in this Appendix, were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangements or pursuant to a specific authority granted by the Shareholders in general meeting, unissued Shares not exceeding the aggregate of 20% of the number of issued Shares immediately following the completion of the Share Offer (but taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the number of

issued Shares immediately following the completion of the Share Offer (but taking into no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of the Shareholders in general meeting, whichever occurs first; and

- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the number of issued Shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of issued Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. For information relating to the Reorganization, please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus.

5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountant’s Report in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report and in the section headed “History, Reorganization and Corporate Structure” in this prospectus, our Company has no other subsidiaries.

On November 8, 2016, Tour East Canada redeemed 300,000, 450,000 and 150,000 Class A preference shares of Tour East Canada held by RT Group, AT Holdings and DC Holdings, respectively, for an consideration of CAD378,000, CAD567,000 and CAD189,000, respectively.

Save as disclosed in this prospectus, there are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchases of our Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by the Shareholders of our Company on May 7, 2018, a general unconditional mandate (the "Buyback Mandate") was granted to our Directors authorizing the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with the total number of Shares not exceeding 10% of the total number of Shares in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from our Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and the shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset and/or earnings per Share.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Islands Companies Law, out of capital and, in the case of any premium payable on the purchase over the par value of the Shares to be repurchased must be provided for, out of either or both of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Islands Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company. However, there might be a material adverse impact on the working capital or gearing level as compared with the position disclosed in this prospectus in the event that the Buyback Mandate is exercised in full.

(d) *Share capital*

Exercise in full of the Buyback Mandate, on the basis of 1,200,000,000 Shares in issue immediately after the Listing (but taking into no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme), could accordingly result in up to 120,000,000 Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) *General*

None of our Directors nor, to the best of their knowledge, information and belief, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association, and the applicable laws of the Cayman Islands.

No core connected person (as defined in the Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is approved and exercised by our Directors.

If as a result of a securities repurchase pursuant to the Buyback Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such

increase will be treated as an acquisition for the purpose of the Code on Takeovers and Mergers issued by the SFC (the “**Takeovers Code**”). Accordingly, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders’ interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the Share Offer (but taking into no account of our Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate will be 120,000,000 Shares, being 10% of the total number of Shares based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to 50.0% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by us or our subsidiaries within the two years preceding the date of this prospectus which are or may be material:

- (a) a share purchase agreement dated October 9, 2017 entered into between RT Group as the vendor and BVTEHC as the purchaser regarding the sale of 4,200,000 Class “A” Preference shares and 60 common shares in the capital of Tour East Canada at a consideration of CAD74,787,096.60 which was satisfied by BVTEHC allotting and issuing 59 common shares in the capital of BVTEHC to RT Group;
- (b) a share purchase agreement dated October 9, 2017 entered into between AT Holdings as the vendor and BVTEHC as the purchaser regarding the sale of 2,100,000 Class “A” Preference shares and 30 common shares in the capital of Tour East Canada at a consideration of CAD37,393,548.30 which was satisfied by BVTEHC allotting and issuing 30 common shares in the capital of BVTEHC to AT Holdings;
- (c) a share purchase agreement dated October 9, 2017 entered into between DC Holdings as the vendor and BVTEHC as the purchaser regarding the sale of 700,000 Class “A” Preference shares and 10 common shares in the capital of Tour East

Canada at a consideration of CAD12,464,516.10 which was satisfied by BVTEHC allotting and issuing 10 common shares in the capital of BVTEHC to DC Holdings;

- (d) a share purchase agreement dated October 9, 2017 entered into between RT Group as the vendor and 1134351 B.C. as the purchaser regarding the sale of 120 common shares in the capital of Tour East New York at a consideration of CAD6,503,226.00 which was satisfied by 1134351 B.C. allotting and issuing 60 common shares in the capital of 1134351 B.C. to RT Group;
- (e) a share purchase agreement dated October 9, 2017 entered into between AT Holdings as the vendor and 1134351 B.C. as the purchaser regarding the sale of 60 common shares in the capital of Tour East New York at a consideration of CAD3,251,613.00 which was satisfied by 1134351 B.C. allotting and issuing 29 common shares in the capital of 1134351 B.C. to AT Holdings;
- (f) a share purchase agreement dated October 9, 2017 entered into between DC Holdings as the vendor and 1134351 B.C. as the purchaser regarding the sale of 20 common shares in the capital of Tour East New York at a consideration of CAD1,083,871.00 which was satisfied by 1134351 B.C. allotting and issuing 10 common shares in the capital of 1134351 B.C. to DC Holdings;
- (g) a share purchase agreement dated October 9, 2017 entered into between RT Group as the vendor and our Company as the purchaser regarding the sale of 60 common shares in the capital of BVTEHC at a consideration of CAD74,787,096.60 which was satisfied by our Company allotting and issuing 496,799,999 common shares in the capital of our Company to RT Group;
- (h) a share purchase agreement dated October 9, 2017 entered into between AT Holdings as the vendor and our Company as the purchaser regarding the sale of 30 common shares in the capital of BVTEHC at a consideration of CAD37,393,548.30 which was satisfied by our Company allotting and issuing 248,400,000 common shares in the capital of our Company to AT Holdings;
- (i) a share purchase agreement dated October 9, 2017 entered into between DC Holdings as the vendor and our Company as the purchaser regarding the sale of 10 common shares in the capital of BVTEHC at a consideration of CAD12,464,516.10 which was satisfied by our Company allotting and issuing 82,800,000 common shares in the capital of our Company to DC Holdings;
- (j) a share purchase agreement dated October 9, 2017 entered into between RT Group as the vendor and our Company as the purchaser regarding the sale of 60 common shares in the capital of 1134351 B.C. at a consideration of CAD6,503,226.00 which was satisfied by our Company allotting and issuing 43,200,000 common shares in the capital of our Company to RT Group;
- (k) a share purchase agreement dated October 9, 2017 entered into between AT Holdings as the vendor and our Company as the purchaser regarding the sale of 30 common

shares in the capital of 1134351 B.C. at a consideration of CAD3,251,613.00 which was satisfied by our Company allotting and issuing 21,600,000 common shares in the capital of our Company to AT Holdings;

- (l) a share purchase agreement dated October 9, 2017 entered into between DC Holdings as the vendor and our Company as the purchaser regarding the sale of 10 common shares in the capital of 1134351 B.C. at a consideration of CAD1,083,871.00 which was satisfied by our Company allotting and issuing 7,200,000 common shares in the capital of our Company to DC Holdings;
- (m) the Deed of Non-competition;
- (n) the Deed of Indemnity;
- (o) a cornerstone investment agreement dated June 12, 2018 entered into between our Company, WWPKG Holdings Company Limited, Lego Corporate Finance Limited, Lego Securities Limited and Kingsway Financial Securities Group Limited, pursuant to which WWPKG Holdings Company Limited agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with an amount of HK\$10,000,000;
- (p) a cornerstone investment agreement dated June 12, 2018 entered into between our Company, Mr. Duncan Chiu, Lego Corporate Finance Limited, Lego Securities Limited and Kingsway Financial Securities Group Limited, pursuant to which Mr. Duncan Chiu agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with an amount of HK\$10,000,000; and
- (q) the Hong Kong Underwriting Agreement.



2. Our intellectual property rights

(a) Trademark(s)

As of the Latest Practicable Date, our Group had registered the following trademark(s) which, in the opinion of our Directors, are material to our business:

| <u>Trademark</u> | <u>Trademark Number</u> | <u>Registrant</u> | <u>Class</u> | <u>Date of Registration</u> | <u>Place of Registration</u> | <u>Expiry Date</u> |
|---|-------------------------|---------------------|--------------------------|-----------------------------|------------------------------|----------------------|
|  | TMA662789 | Tour East Canada | 16, 21, 25, 39, 43 | April 19, 2006 | Canada | April 19, 2021 |
|  | TMA663137 | Tour East Canada | 16, 21, 25, 39, 43 | April 19, 2006 | Canada | April 19, 2021 |
| 東亞旅遊 | TMA629174 | Tour East Canada | 16, 21, 25, 39, 43 | December 31, 2004 | Canada | December 31, 2019 |
| TOUR EAST HOLIDAYS | TMA625409 | Tour East Canada | 16, 21, 25, 39, 43 | November 15, 2004 | Canada | November 15, 2019 |
| JET SET TRAVEL | TMA717923 | Tour East Canada | 16, 39, 43 | July 4, 2008 | Canada | July 4, 2023 |
|  | TMA623315 | Tour East Canada | 16, 21, 25, 39, 43 | October 22, 2004 | Canada | October 22, 2019 |
|  | TMA725549 | Tour East Canada | 16, 39, 43 | October 8, 2008 | Canada | October 8, 2023 |
| 東亞 旅行社 | TMA326462 | Tour East Canada | 35, 39 | April 16, 1987 | Canada | April 16, 2032 |
|  | 304231115 | Tour East Canada | 39 | August 4, 2017 | Hong Kong | August 4, 2027 |

As of the Latest Practicable Date, we had applied for the registration of the following trademarks:

| <u>Trademark</u> | <u>Trademark Application Number</u> | <u>Applicant</u> | <u>Class</u> | <u>Place of Registration</u> | <u>Application Date</u> |
|---|-------------------------------------|-----------------------|----------------------|------------------------------|-------------------------|
|  | 1861329 | our Company | 9, 16, 21, 25, 39 | Canada | October 5, 2017 |
|  | 87618621 | Tour East New York | 9, 16, 21, 25, 39 | United States | September 22, 2017 |

(b) **Domain name(s)**

As of the Latest Practicable Date, our Group had registered the following domain names which, in the opinion of our Directors, are material to our business:

| <u>Domain name</u> | <u>Registrant</u> | <u>Date of Registration</u> | <u>Expiry Date</u> |
|-----------------------|---------------------|-----------------------------|--------------------|
| www.toureast.com | Tour East Canada | March 26, 1998 | March 26, 2023 |
| www.toureastgroup.com | Tour East Canada | July 28, 2010 | July 28, 2019 |

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of Interests — Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following completion of the Share Offer and assuming that the Over-allotment Option is not exercised and taking into no account of Shares to be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities

Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once our Shares are listed will be as follows:

Interest in our Company

| <u>Name of Director</u> | <u>Nature of Interest</u> | <u>Number of Shares⁽¹⁾</u> | <u>Approximate Percentage of Shareholding</u> |
|---------------------------|--------------------------------------|---------------------------------------|---|
| Mrs. Tsang ⁽²⁾ | Interest of a controlled corporation | 540,000,000 (L) | 45.0% |
| Ms. Tsu ⁽³⁾ | Interest of a controlled corporation | 270,000,000 (L) | 22.5% |
| Dr. Chu ⁽⁴⁾ | Interest of a controlled corporation | 90,000,000 (L) | 7.5% |

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) BVRTH is beneficially and wholly-owned by RT Group, in which Mrs. Tsang is entitled to 90.9% of the voting rights in her own capacity. By virtue of the SFO, Mrs. Tsang is deemed to be interested in our Shares held by BVRTH.
- (3) BVATH is beneficially and wholly-owned by AT Holdings, which in turn is wholly-owned by Ms. Tsu. By virtue of the SFO, Ms. Tsu is deemed to be interested in our Shares held by BVATH.
- (4) BVDCH is beneficially and wholly-owned by DC Holdings, which in turn is wholly-owned by Dr. Chu. By virtue of the SFO, Dr. Chu is deemed to be interested in our Shares held by BVDCH.

(b) *Particulars of service agreements and letters of appointment*

Each of our executive Directors has entered into a service agreement with our Company for a term of one year commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of one year commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

(c) *Directors’ remuneration*

Each of our executive Directors and non-executive Director is entitled to a remuneration and shall be paid on the basis of a twelve-month year. During the years

ended December 31, 2015, 2016 and 2017, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits schemes, allowances and other benefits in kind) paid to our Directors was approximately HK\$7.0 million, HK\$5.3 million and HK\$5.4 million, respectively. For details, please refer to Note 32 of the Accountant's Report set out in Appendix I to this prospectus.

Each of our independent non-executive Directors have been appointed for a term of one year. We intend to pay a total director's fee of HK\$540,000 per annum to Mrs. Kitty Yuk-Yee Yeung, Dr. Michael Edward Ricco and Mr. Sik Yuen Lau. Save for directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries, bonus, share-based payments, contributions to retirement benefits scheme, allowances and other benefits in kind) of our Directors for the year ending December 31, 2018 is estimated to be no more than HK\$5.6 million.

2. Substantial Shareholders

So far as our Directors are aware, immediately following the completion of the Share Offer assuming that the Over-allotment Option is not exercised and taking into no account of any Shares that may be issued pursuant to the exercise of options which were granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group:

| Name of Shareholder | Nature of interest | Shares held immediately prior to the Share Offer ⁽¹⁾ | | Shares held immediately after completion of the Share Offer (taking into no account Shares which may be issued pursuant to the exercise of the Over-allotment Option or Shares which may be issued upon the exercise of options granted under the Share Option Scheme) ⁽¹⁾ | |
|----------------------------|--------------------------------------|---|------------|---|------------|
| | | Number | Percentage | Number | Percentage |
| BVRTH ⁽²⁾ | Beneficial owner | 540,000,000 (L) | 60.0% | 540,000,000 (L) | 45.0% |
| RT Group ⁽²⁾ | Interest of a controlled corporation | 540,000,000 (L) | 60.0% | 540,000,000 (L) | 45.0% |
| BVATH ⁽³⁾ | Beneficial owner | 270,000,000 (L) | 30.0% | 270,000,000 (L) | 22.5% |
| AT Holdings ⁽³⁾ | Interest of a controlled corporation | 270,000,000 (L) | 30.0% | 270,000,000 (L) | 22.5% |
| BVDCH ⁽⁴⁾ | Beneficial owner | 90,000,000 (L) | 10.0% | 90,000,000 (L) | 7.5% |
| DC Holdings ⁽⁴⁾ | Interest of a controlled corporation | 90,000,000 (L) | 10.0% | 90,000,000 (L) | 7.5% |

Notes:

- (1) The letter “L” denotes the person’s long position in the Share.
- (2) BVRTH is beneficially and wholly-owned by RT Group. By virtue of the SFO, RT Group is deemed to be interested in our Shares held by BVRTH.
- (3) BVATH is beneficially and wholly-owned by AT Holdings. By virtue of the SFO, AT Holdings is deemed to be interested in our Shares held by BVATH.
- (4) BVDCH is beneficially and wholly-owned by DC Holdings. By virtue of the SFO, DC Holdings is deemed to be interested in our Shares held by BVDCH.

3. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our Shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed “D. Other Information — 8. Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

- (e) taking no account of Shares which may be taken up under the Share Offer, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Share Offer, have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “D. Other Information — 8. Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on May 7, 2018.

(a) *Purpose*

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognize and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) *Who may join and basis of eligibility*

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares

as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant.

(c) *Acceptance of an offer of options*

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance or payment for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance or payment and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) *Maximum number of Shares*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the Share Offer (assuming that the Over-allotment Option is not exercised), being 120,000,000 Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or
- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalization issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:
 - (aa) the Eligible Participant's name, address and occupation;
 - (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
 - (cc) the date upon which an offer for an option must be accepted;
 - (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
 - (ee) the number of Shares in respect of which the option is offered;
 - (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
 - (gg) the date of the expiry of the option as may be determined by the Board;

- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and
- (ii) other terms and conditions (including, without limitation, any minimum period for which an option must be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with Share Option Scheme and the Listing Rules.

(f) *Price of Shares*

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

(g) *Granting options to a director, chief executive or substantial shareholder of our Company or any of their respective associates*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director (or any of their respective associates (as defined in the Listing Rules)) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and

the approval of our Shareholders in general meeting on a poll at which the grantee, his/her associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

(h) *Restrictions on the times of grant of Options*

A grant of options shall not be made after inside information has come to the knowledge of our Company until it has announced such inside information pursuant to the requirements of the Listing Rules and the Inside Information Provisions of Part XIVA of the SFO. In particular, no options shall be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual results half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual results or half-year, or quarterly or other interim period (whether or not required under the Listing Rules,

and ending on the date of actual publication of the results announcement.

Where an option is granted to a Director, notwithstanding the paragraph above, no options shall be granted: (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and (ii) during the period

of 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(i) *Rights are personal to grantee*

An option and an offer to grant an option shall be personal to the grantee and shall not be transferrable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his/her personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty or in relation to an employee of our Group (if so determined by the Board), or has become insolvent, bankrupt or has made arrangements or compositions with his/her creditors generally, or on any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his/her option will lapse and not be exercisable after the date of termination of his/her employment.

(n) *Rights on takeover*

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) *Rights on winding-up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his/her legal personal representative(s)) shall be entitled to exercise all or any of his/her options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a compromise or arrangement and any grantee may by notice in writing to our Company accompanied by

a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than 12:00 noon (Hong Kong time) on the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting, dividend or other rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will carry the same rights in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(r) *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, open offer (if there is a price dilutive element), consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his/her opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on September 5, 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approved independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an

option is entitled to subscribe pursuant to the options held by him/her before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his/her employment or contract on any one or more of the grounds that he or he/she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his/her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his/her creditors generally or any other ground on which an employee would be entitled to terminate his/her employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; and

- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) *Cancellation of Options*

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any Option is canceled pursuant to paragraph (i).

(v) *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise; and
- (iii) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the Adoption Date:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(z) *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 120,000,000 Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders have entered into a Deed of Indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in sub-paragraph (i) of the paragraph headed “B. Information about our business — 1. Summary of material contracts” above) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received, any claim to which any member of our Group may be subject and payable on or before the date when the Share Offer becomes unconditional.

3. Litigation

As of the Latest Practicable Date, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as

mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees are HK\$6.68 million and are payable by our Company.

5. Preliminary Expenses

The preliminary expenses incurred and paid by our Company were approximately HK\$70,303.

6. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Share Offer and the related transactions described in this prospectus.

7. Taxation of holders of Shares

(a) *Hong Kong*

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability or estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) *Cayman Islands*

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares.

(c) *Canada*

Under the ITA, a non-resident of Canada will generally not be subject to tax on a capital gain realized by such non-resident shareholder on a disposition of Shares of our Company unless the Shares constitute "taxable Canadian property" of the non-resident shareholder at the time of disposition and the non-resident shareholder is not entitled to relief under an applicable income tax treaty or convention. Please refer to the section headed "Certain Canadian Legal and Regulatory Considerations in Relation to the Share Offer — Certain Canadian federal income tax considerations — Disposition of Shares" in this prospectus for further details.

(d) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications or subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

| Name | Qualification |
|---|---|
| Lego Corporate Finance Limited | Licensed corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO |
| McMillan LLP | Legal advisors to our Company as to Canadian laws |
| PricewaterhouseCoopers | Certified Public Accountants |
| Harney Westwood & Riegels | Legal advisors to our Company as to Cayman Islands and BVI laws |
| Husch Blackwell LLP | Legal advisors to our Company as to the U.S. laws |
| China Insights Industry Consultancy Limited | Industry consultant |

9. Consents of Experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this prospectus, there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2017 (being the date which the latest audited consolidated financial information of our Group were made up);
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by Harneys Fiduciary (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Directors have been advised that under Cayman Islands law the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands law;
- (h) save as disclosed in this prospectus, our Company has no outstanding convertible debt securities or debentures;
- (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

13. Bilingual Prospectus

The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption from Companies and Prospectuses from Compliance Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE** and **YELLOW** Application Forms;
- (b) the written consents referred to in the section headed “D. Other Information — 9. Consents of experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “B. Information about our business — 1. Summary of material contracts” of Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office(s) of Sidley Austin at Level 39, Two International Finance Center, 8 Finance Street, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the amended and restated Memorandum and Articles;
- (b) the Accountant’s Report issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report issued by PricewaterhouseCoopers in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three financial years ended December 31, 2017;
- (e) the material contracts referred to in the section headed “B. Information about our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the service contracts and letters of appointment with each of our Directors referred to in the section headed “C. Further information about Directors and substantial shareholders — 1. Directors — (b) Particulars of service agreements and letters of appointment” in Appendix IV to this prospectus;
- (g) the written consents referred to in the section headed “D. Other Information — 9. Consents of experts” in Appendix IV to this prospectus;
- (h) the legal opinion prepared by McMillan LLP, our Canadian legal advisors, on our operations, leasehold interests and certain other aspects of our Group;

- (i) the legal opinion prepared by Husch Blackwell LLP, our U.S. legal advisors, on our operations, leasehold interests and certain other aspects of our Group;
- (j) the letter of advice prepared by Harney Westwood & Riegels, our Cayman legal advisors, summarizing certain aspects of the Cayman Islands Companies Law referred to in Appendix III to this prospectus;
- (k) the CIC Report;
- (l) the Share Option Scheme; and
- (m) the Cayman Islands Companies Law.



CTEH INC.
加達控股有限公司