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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.*

*There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set out in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the section headed “Definitions” in this prospectus.*

### **BUSINESS OF OUR GROUP**

We are one of the long-established travel agents and travel consulting companies in Hong Kong. It is our corporate mission to provide our customers with personalised advice and professional services to meet their holiday and travelling requirements. We are committed to the provision of high quality services to our customers and our mission statement is “Exceeding Customer Expectation Sets Us Apart”.

We consider ourselves as a one-stop travel management and services group offering a wide range of travel packages, products and services. Our services principally include the provision of FIT packages which include any one or more of airline ticketing, outbound air-plus-hotel holiday packages, cruise holidays, other transportation arrangements in respect of outbound travelling including car rentals and bookings for ferries, buses, trains, and airport express, hotel and accommodation bookings, and escorted tours bookings. Our services in respect of local travelling include theme parks ticketing and other entertainment, leisure and incidental activities bookings. We also provide other travel related services such as visa processing and travel insurance processing. We focus on the FIT market and position ourselves as a FIT specialty travel agent. FIT refers to “frequent individual traveller”, which generally means an individual or a small group of travellers who plan their own travel itinerary instead of purchasing packaged holidays or tour packages through tour operators or tour agents. The components of the itinerary may resemble a package, but the itinerary is custom-built for the traveller. FIT packages, comprising air-plus-hotel booking, flights only booking and hotel only booking, are non-tour travel solutions, in contrast with traditional packaged holidays which include a travel itinerary, tour guides, pre-arranged group meals, designated travel dates, transportation and accommodation.

Our outbound air-plus-hotel holiday packages can be categorised into tailor-made packages and preset packages including airline packages and wholesale packages. We develop our own packages by incorporating into a holiday package, travel arrangements such as air tickets and ferry tickets, hotel accommodation, featured activities such as golfing and spa treatments and related services such as airport pick-up and transfer. We also customise packages according to the specifications prescribed by our customers.

Airline packages are in-house travel products of airlines which combine a choice of selected hotels for particular destinations with the airlines’ own flights. Examples of airline packages suppliers include Cathay Holidays Limited and Dragonair Holidays. Wholesale packages are designed and sold

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by wholesale agents to retail agents. We act as a retail distributor for airline and wholesale packages. We have been appointed as one of the preferred sales agents of Cathay Holidays Limited, Charming Holidays, Jetour, Club Med and Satellite Travel, all of which are major tour operators in Hong Kong.

Our marketing slogan in Chinese is “自由自在去旅行，專業旅運自由行”，which expresses our commitment in helping our customers to enjoy independence and freedom when travelling on our FIT packages.

TEL and TEBSL are IATA accredited agents. Only IATA accredited agents are allowed to represent the member airlines of IATA to sell international air passenger ticketing. IATA is the administrator of the IATA Passenger Agency Programme which is a global programme designed to facilitate the secure distribution and sale of air tickets through a network of reliable accredited sales channels. To maintain our IATA accreditation, we have to satisfy certain criteria and qualifications including maintaining the facilities to issue travel tickets through the use of an approved electronic ticketing system and meeting IATA training and qualification standards.

Usually, we do not keep a stock of travel related products on hand. Apart from Airport Express tickets, Ocean Park tickets and Hong Kong Disneyland Park tickets, we do not purchase package holidays, air tickets, hotel accommodation or other travel related products from our suppliers unless an order has been placed by a customer with us. Our Group uses a cost-plus model in the pricing of our packages. In cases where we provide travel related services other than the sale of travel packages, for example visa processing and certain ticketing services, we may charge our customers service fees. The amount of these service fees are based on the directives issued by TIC from time to time, as detailed in the “Government regulations, licences and permits” section of this prospectus.

## PRODUCTS AND SERVICES

### Leisure travel (retail)

Retail sales are the primary focus of our Group. As at the Latest Practicable Date, we operate more than 50 retail shops across Hong Kong, including our flagship stores in Central, Mongkok and Shatin, and our cruise centre in Central. Approximately 92.8%, 93.0% and 94.5% of our gross sales proceeds were generated from retail sales for the years ended 31 March 2009, 2010 and 2011 respectively.

In addition to our retail shops, our official website also serves as a selling platform and provides information to our customers. We have recently made available an instant ordering function electronically via the Internet to suit the needs of contemporary technology-savvy users. This online reservation platform is supported by our travel consultants who call potential customers in response to their electronic enquiries for follow up service and feedback. We believe that such inclusion of a customer focused and “human interaction” component enhances our service quality and helps differentiate us from our competitors. In addition, there is a live chat feature on the website, where customers can communicate with our travel consultants real-time electronically. Additionally, we also utilise electronic social media (such as Facebook) as a publicity and communication platform.

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Contemplating the potential growth in the fledgling cruise market, our new cruise centre commenced operations in December 2009, providing an additional product for our retail customers to choose from. As at the Latest Practicable Date, our Group was the preferred sales agent of MSC Cruises, Norwegian Cruise Line, Star Cruises, Royal Caribbean International, Celebrity Cruises, Azamara Club Cruises, Cunard Line and Princess Cruises; the selected partner of Cruise Sensations for Uniworld River Cruises and Disney Cruise Line; and the sales agent of Holland America Line and Carnival Cruise Lines. We understand that travel agents who have strong sales network and reputation may be invited by the cruise line operators to become their respective preferred sales agent. We are of the view that being a preferred sales agent is relatively important as a preferred sales agent would normally be offered higher incentive reward by the cruise line operators as compared to that of a normal agent.

We can arrange pre-cruise and post-cruise air-plus-hotel packages to enable our customers to enjoy a short trip before they board the cruise and/or after docking. We can also arrange land tours for our customers when the cruise docks at the designated ports.

### **Corporate travel**

During the Reporting Period, business travel has been the secondary focus of our Group. We had about 221, 217 and 196 corporate customers as at 31 March 2009, 2010 and 2011 respectively. Our corporate sales accounted for approximately 7.2%, 7.0% and 5.5% of our Group's gross sales proceeds for the years ended 31 March 2009, 2010 and 2011 respectively.

Our Directors consider that the development of the corporate sales segment would strengthen our Group's revenue base. Accordingly, we have set up a business services team. The members of this team are well experienced and skilled in their area of expertise. They are provided with on-going training and regular travel information updates. We expect our business services team to be capable of providing fully integrated travel services to our corporate clients.

### **COMPETITIVE ADVANTAGES**

- We have an established market presence and brand name in Hong Kong
- We have an extensive distribution network in Hong Kong
- Our management and staff provide quality services and understand the market and customers' needs
- We have established excellent business relationships with airlines
- We have established excellent long-term business relationships with hotels and land agents
- We have established good strategic relationships with tourism boards

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- We offer diversified products
- We have established a stringent quality control system
- We have managed our cashflow carefully
- We have established competitive prices
- We are committed to staff training and development
- Our employees are our most valuable asset
- We are committed to continuous improvement in our information system

### SALES CHANNELS

Our travel packages and related products are currently offered on-site through more than 50 retail shops as supported by an electronic platform. The number of retail shops is based on the number of TAR branch office certificates issued to our Group. As set out in the paragraph headed “Travel Industry Council of Hong Kong” under the “Government regulations, licences and permits” section of this prospectus, each branch office requires an additional paid-up capital of HK\$250,000. As at the Latest Practicable Date, our network of more than 50 retail shops had approximately 360 sales staff including district managers, counter managers, account managers, travel consultants and travel service consultants providing travel consultancy, booking services, and related services to our customers. Amongst the above sales staff, we have a team of designated account executives who specialise in servicing our corporate clients and a team of cruise experts who specialise in servicing our cruise customers. Our retail shops are strategically located in or near residential areas, shopping arcades, core commercial districts and selected MTR stations.

### SUPPLIERS

Airlines, hotels, cruise operators and consolidators are our major suppliers. We have established direct business relationship with airlines, hotels and cruise operators to purchase our travel related products (namely air tickets, hotel rooms and cruise tickets) after a customer has placed an order for our travel packages which encompass various combinations of any one or more of the travel related products. Sometimes we source our travel related products, in particular air tickets and hotels, from consolidators, who act as wholesale agents for airlines and hotels. Over the years, we have been able to establish satisfactory business relationships with major airlines thereby enabling us to source air tickets at competitive prices. This upstream penetration enables us to better control our costs of sales and our sales margin without sacrificing our competitiveness in pricing and service quality. Other than the purchase of air tickets and hotel accommodation, which will be purchased only when we receive orders from customers, we keep some inventory of transportation tickets and theme park tickets which are purchased from suppliers such as MTR, Hong Kong International Theme Parks Limited and Ocean Park Corporation.

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In addition to airlines, hotels and cruise operators, we also maintain business relationships with a number of overseas land agents in various locations whom we consider to be credible and competitive in the travel industry. These land agents are holders of relevant licences according to their local jurisdictions and are capable of handling inbound tourism services. We arrange escorted tours only at the request of our customers. We may be liable for the misconduct of service providers, so we only engage licensed travel agents as service providers for escorted tours. Before engaging any of these agents, we would obtain verbal reference from relevant tourism boards. In addition, our staff accompanying the escorted tours would monitor the quality of arranged transportation, hotel, restaurant, food and service of the local tour guide during the trip, and make sure that the route and the standard of services and products provided comply with the itinerary and the terms agreed with our customers. If there is any problem, our staff will communicate this to the service provider to work out a solution immediately.

In case the customers have any complaints about quality of product and services provided by the service providers and things purchased by customers during the trip, we will help customers to claim for compensation according to the applicable local regulations.

During the Reporting Period, escorted tours only contributed an immaterial part of the business of our Group, no claim has been made by our customers against any service providers of escorted tours and we have not been held liable for the misconduct of service providers.

### **RMB Settlement Arrangements**

During the Reporting Period, our Group was involved in certain payments and receipts of money in RMB with parties in the PRC. TEL previously settled the Accounts Payable and amounts due to the Service Provider/ PRC IT Consultants via the HK Company, Mrs. Ko's PRC Bank Account and/or staff bringing RMB into the PRC in cash. These methods of settlement have ceased as at the Latest Practicable Date. TEL previously received payments from the SZ Client via Mrs. Ko's PRC Bank Account but no longer does so as at the Latest Practicable Date.

Our PRC Legal Counsel is of the view that:

- TEL did not violate the Chinese laws and regulations in settlement of the Accounts Payable and the Service Fee Payable, and in receipt of payment from the SZ Client;
- Mrs. Ko did not violate the Chinese laws and regulations to receive payment from the SZ Client;
- Mrs. Ko breached the Foreign Exchange Regulations in settlement of the Accounts Payable and the Service Fee Payable which will not result in any criminal liability on Mrs. Ko but may result in administrative penalty on her; and
- the use of the RMB settlement arrangements utilised by TEL in the past will not have any legal impact on the WFOE, and the potential administration penalty on Mrs. Ko will also not have any adverse legal impact (whether directly or indirectly) on the WFOE.

More information regarding TEL's payments and receipts of money in RMB with parties in the PRC is set out under sub-heading "Suppliers" in the "Business" section in this prospectus.

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### LICENCES

As at the Latest Practicable Date, our Group holds the following licences relating to our business:

<b>Licences</b>	<b>Holders of licences</b>	<b>Issuing organisation</b>	<b>Date of issue</b>	<b>Date of expiry</b>
Licensed travel agent	TEL	TAR	28 August 2011	28 August 2012
Licensed travel agent	TEBSL	TAR	28 April 2011	28 April 2012
Licensed travel agent	TECL	TAR	21 January 2011	21 January 2012

As part of the licensing requirements under the RTA, our Group holds the following memberships as at the Latest Practicable Date:

<b>Memberships</b>	<b>Member</b>	<b>Issuing organisation</b>	<b>Date of admission</b>	<b>Date of expiry</b>
Ordinary member	TEL	TIC	28 August 1988	30 June 2012
Ordinary member	TEBSL	TIC	29 September 2008	30 June 2012
Ordinary member	TECL	TIC	21 January 2011	30 June 2012

As at the Latest Practicable Date, our Group has registered with the HKFI as an insurance agency in respect of travel insurance as follows:

<b>Name of Insurance Agency</b>	<b>Appointing Insurer(s)</b>	<b>Date of Registration</b>	<b>Expiry Date of Registration Fee</b>
TEL	ACE Insurance Limited	23 June 2010	19 October 2012
	Blue Cross (Asia - Pacific) Insurance Limited	23 November 2007	
	Chartis Insurance Hong Kong Limited	19 October 2006	
TECL	ACE Insurance Limited	11 April 2011	11 April 2014
	Blue Cross (Asia - Pacific) Insurance Limited	11 April 2011	
	Chartis Insurance Hong Kong Limited	11 April 2011	
TEBSL	ACE Insurance Limited	1 September 2011	1 September 2014

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Our management reviews our business practices regularly to ensure our Group's compliance with the RTA licensing requirements and the successful annual renewal of our Group's licences. Save and except as disclosed in the section headed "Business — Compliance and Litigation", there were no investigations conducted and no disciplinary action taken by the RTA or TIC on our Group during the Reporting Period.

To the best knowledge and belief of our Directors, there are no legal impediments for our Group's continual renewal of the above licences and memberships.

### COMPLIANCE AND LITIGATION

As at the Latest Practicable Date and during the Reporting Period, our Group was not engaged in any litigation, arbitration or claim of material importance, and there is no litigation, arbitration or claim pending or threatened by or against any member of our Group or any of our Directors, which could have a material adverse effect on our operations or financial conditions.

We have inadvertently breached certain sections of the Companies Ordinance, the details of which are set out in the paragraph headed "Non-compliance under Companies Ordinance" in the "Business" section of this prospectus. The cause for such non-compliance was mainly attributable to the fact that during the period to which the non-compliance incidents relate our Group companies did not have an internal company secretarial department and qualified company secretary of relevant working experience to deal with company secretarial matters and to comply with the Companies Ordinance. The aggregate potential maximum liabilities arising from these non-compliance incidents is approximately HK\$768,000 and such non-compliance incidents are not expected to have any material impact on the operations and financial position of our Group.

As to the non-compliance of late and incorrect filings relating to company secretarial matters with the Companies Registry, as advised by our Hong Kong Legal Adviser, the practical risk of our Hong Kong subsidiaries being penalised for their late and incorrect filing is low. Although the Companies Registry does have the right to impose fines and penalties and the Companies Ordinance specifies the relevant level of fines, we understand from our Hong Kong Legal Adviser that, based on their experience and knowledge, the Registrar of Companies does not, in all cases, prosecute late filings or levy penalties. As of the Latest Practicable Date, the relevant companies have not received any notices for any fines or penalties. The potential maximum aggregate penalties/fines, as advised by our Hong Kong Legal Adviser, are expected not to exceed HK\$1,000,000. Therefore, our Directors consider such amount to be immaterial and the Reporting Accountants, BDO Limited, concurs with our Directors that the potential penalties/fines are not material to our Group's financial statements. Accordingly, no provision for the penalties/fines has been made by our Directors for the preparation of the financial statements. The Sole Sponsor is of the view our Directors' decision is reasonable given that the potential maximum aggregate penalties/fines of the non-compliance incidents is immaterial and the view of the Reporting Accountants stated above.

To prevent the occurrence of any non-compliance and to provide a stronger basis for detecting potential non-compliance in the future, we have taken and will take steps to ensure compliance with applicable laws, rules and regulations, the details of which are set out in the paragraph headed "Actions to ensure future compliance" in the "Business" section of this prospectus.

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### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table is a summary of the audited combined financial results of our Group during the Reporting Period, prepared on the basis that our current Group structure had been in place throughout the Reporting Period. The summary is extracted from, and should be read in conjunction with, the Accountants' Report.

	<b>Year ended 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b> ( <i>Note 1</i> )	<b>166,813</b>	<b>168,538</b>	<b>204,842</b>
Other income	2,116	2,128	2,250
Selling and distribution costs	(109,065)	(113,568)	(138,418)
Administrative expenses	<u>(22,149)</u>	<u>(20,839)</u>	<u>(30,345)</u>
<b>Profit before income tax</b>	<b>37,715</b>	<b>36,259</b>	<b>38,329</b>
Income tax expense	<u>(6,329)</u>	<u>(6,099)</u>	<u>(7,220)</u>
<b>Profit for the year attributable to owners of our Company</b>	<b><u>31,386</u></b>	<b><u>30,160</u></b>	<b><u>31,109</u></b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Earnings per Share attributable to owners of our Company</b>			
— <b>Basic</b> ( <i>Note 2</i> )	<b><u>0.08</u></b>	<b><u>0.08</u></b>	<b><u>0.08</u></b>



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*Notes:*

- Our management assessed our Group's business relationships with customers and determined that our Group is acting as an agent in the majority of transactions relating to the sales of packages comprising air tickets, hotel accommodation and other travel related products, and accordingly our Group reports those revenue on a net basis. The gross sales proceeds from the sales of air tickets, hotel accommodation and other travel related products, which does not represent revenue, comprising the price at which products have been sold inclusive of any service fees and the breakdown of our revenue for the years ended 31 March 2009, 2010 and 2011 respectively, are as follows:

	<b>Year ended 31 March</b>		
	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Retail customers	942,767	953,468	1,213,931
Corporate customers	<u>73,301</u>	<u>72,169</u>	<u>71,105</u>
Gross sales proceeds	1,016,068	1,025,637	1,285,036
Cost of travel related products	<u>(855,783)</u>	<u>(865,072)</u>	<u>(1,092,734)</u>
Revenue from customers	160,285	160,565	192,302
Incentive income from GDS provider(s), airlines and other travel products suppliers	<u>6,528</u>	<u>7,973</u>	<u>12,540</u>
Revenue	<u><u>166,813</u></u>	<u><u>168,538</u></u>	<u><u>204,842</u></u>

- The basic earnings per Share is calculated based on the profit attributable to owners of our Company during the Reporting Period and on the assumption of 400,000,000 Shares in issue after completion of the Capitalisation Issue but takes no account of any Shares which may fall to be allotted and issued under the Share Offer or any Shares which may be issued upon exercise of any options granted under the Pre-IPO Share Option Scheme or any options which may be granted under the Share Option Scheme.

### INVESTMENT ACTIVITIES

During the Reporting Period and up to the Latest Practicable Date, our Group engaged in certain investment activities, including the purchases and sales of financial assets such as unlisted overseas mutual funds, dual currency investments and equity securities listed on the Main Board which were not constituents of the Hang Seng Index. The major reason we engaged in such investment activities was to maximise the return on our Group's capital. All of the funds used in such investment activities were internally generated funds. All of the counterparties of our off-market investment transactions are independent third parties.

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Further details of the investment activities conducted by our Group during the three years ended 31 March 2011 are set out under the paragraph headed “Investment activities” in the “Financial information” section of this prospectus.

As at 31 March 2009, 2010 and 2011, our Group had available-for-sale financial assets of Nil, Nil and HK\$7,856,000 and financial assets at fair value through profit or loss of HK\$795,000, HK\$55,000 and Nil respectively.

During the Reporting Period, our Group’s investment in financial assets generated accounting profits of approximately HK\$473,000 and HK\$268,000 for the years ended 31 March 2009 and 2010 respectively, and incurred an accounting loss of approximately HK\$282,000 for the year ended 31 March 2011. In addition, our Group’s investment in financial assets incurred other comprehensive loss of approximately HK\$33,000 for the year ended 31 March 2011. During the year ended 31 March 2009, we used cash of approximately HK\$30,718,000 on, and generated cash of approximately HK\$30,396,000 from, our Group’s investments in financial assets. During the year ended 31 March 2010, we used cash of approximately HK\$35,906,000 on, and generated cash of approximately HK\$36,914,000 from, our Group’s investments in financial assets. During the year ended 31 March 2011, we used cash of approximately HK\$41,890,000 on, and generated cash of approximately HK\$33,774,000 from, our Group’s investments in financial assets.

In view of the recent market volatility, we will cease to engage in such investment activities in the future. We will restrict the usage of our Group’s surplus funds to placement of term deposits with registered banks only. Subsequent to 31 March 2011, we disposed of all of our outstanding financial assets comprising investment in bond funds and realised a loss on disposal of approximately HK\$0.14 million before taking into account any transaction cost.

### SHARE OPTION SCHEMES

Pursuant to the resolution of our sole shareholder passed on 31 March 2011, our Company has adopted the Pre-IPO Share Option Scheme and pursuant to the resolution of our shareholders passed on 6 September 2011, our Company has conditionally adopted the Share Option Scheme. The principal terms of the share option schemes are set out in the section headed “Share Option Scheme” and “Pre-IPO Share Option Scheme” respectively in appendix V to this prospectus. As at the Latest Practicable Date, options to subscribe for an aggregate of 23,704,000 Shares have been conditionally granted under the Pre-IPO Share Option Scheme by our Company, and which remained outstanding as at the Latest Practicable Date. The exercise price in respect of each option granted under the Pre-IPO Share Option Scheme ranged from 80% to 200% of the Offer Price. The 23,704,000 Shares subject to the options granted under the Pre-IPO Share Option Scheme represents (i) approximately 4.74% of the issued share capital of our Company immediately after completion of the Share Offer (excluding all Shares which may fall to be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme); and (ii) approximately 4.53% of the issued share capital of our Company immediately after completion of the Share Offer as enlarged by the Shares falling to be issued upon full exercise of all the outstanding options granted under the Pre-IPO Share Option Scheme (excluding all Shares which may fall to be issued upon the exercise of the options to be granted under the Share Option Scheme).

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As such, assuming full exercise of the outstanding options granted under the Pre-IPO Share Option Scheme, the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 4.53%. Further, assuming that (i) our Company had been listed on the Stock Exchange since 1 April 2010 with 500,000,000 Shares in issue; and (ii) our Company had been listed on the Stock Exchange since 1 April 2010 with 500,000,000 Shares in issue and all the options granted under the Pre-IPO Share Option Scheme in respect of 23,704,000 Shares were exercised in full on 1 April 2010, the earnings per Share on a pro forma diluted basis would be approximately HK\$0.06 (unaudited) and HK\$0.06 (unaudited) respectively for the year ended 31 March 2011.

In addition, our Group may issue additional Shares upon the exercise of options which may be granted under the Share Option Scheme. In such cases, the percentage ownership of our existing Shareholders may be reduced and they may experience dilution of their proportionate interests in our Company. There may also be a dilution in the earnings per Share and net asset value per Share as a result of the increase in the number of Shares after the issue of any additional Shares pursuant to the exercise of the aforesaid options.

### DIVIDEND POLICY

Following the listing of our Shares, our Shareholders will be entitled to receive dividends declared by our Company. We intend to pay dividends by way of interim and final dividends.

The payment and amount of any dividends will be at the discretion of our Directors and our Directors' decision to declare or to pay any proposed dividends in the future, and the amount of any proposed dividends, if declared and paid, will be based on our earnings, financial condition, cash requirements and availability, future prospects, contractual restrictions, applicable laws and provisions and other relevant factors. There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or the timing of such payment.

We declared dividends of HK\$2,000,000, HK\$92,082,000 and HK\$47,012,000 for the years ended 31 March 2009, 2010 and 2011 respectively and paid dividends of HK\$2,000,000, HK\$84,082,000 and HK\$45,012,000 during the years ended 31 March 2009, 2010 and 2011 respectively. The dividend distribution recorded during the Reporting Period may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Please refer to the paragraph headed "Dividends paid in the past may not be indicative of the amount of future dividend payments or our Group's future dividend policy" in the section headed "Risk factors" of this prospectus.

### STATISTICS OF THE SHARE OFFER

	<b>Based on an indicative Offer Price of HK\$0.56</b>	<b>Based on an indicative Offer Price of HK\$0.69</b>
Market capitalisation of the Shares <sup>(1)</sup> .....	HK\$280 million	HK\$345 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(2)</sup> .....	HK\$0.13	HK\$0.15

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*Notes:*

1. The calculation of market capitalisation is based on the estimated 500,000,000 Shares issued upon completion of the Share Offer and the Capitalisation Issue.
2. The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in the section headed “Statement of Unaudited Pro Forma Adjusted Net Tangible Assets” in appendix II to this prospectus and taking into account the indicative Offer Prices of HK\$0.56 and HK\$0.69 per Offer Share and 500,000,000 Shares expected to be in issue upon completion of the Share Offer and the Capitalisation Issue.

### **FUTURE PLANS AND PROSPECTS**

To maintain our position as one of the leading providers of travel related products and services in Hong Kong, we intend to capitalise on our travel expert brand recognition, enhance our competitiveness and achieve sustainable sales growth. To achieve our objectives we plan to implement the following strategies:

#### **Development of corporate sales business**

During the years ended 31 March 2009, 2010 and 2011, corporate sales contributed to approximately 7.2%, 7.0% and 5.5% respectively of our Group’s gross sales proceeds. In the past 25 years, we have focused on developing our retail sales network. We have built up a strong corporate brand name and have laid a solid operating platform in the travel agency industry. We have established satisfactory business relationship with major airlines, hotels and related wholesale agents. Our Directors are confident that we are able to leverage on our existing operating platform to tap into the corporate sales segment.

Our Directors consider that the development of the corporate sales segment would strengthen our Group’s revenue base. We have allocated resources to support our business services team, of which all of its members possess the relevant experience and attributes to assist the business and infrastructure development of our corporate sales business.

Our Directors expect that development of the corporate sales segment will not only increase our Group’s revenue but may also more than proportionally increase our Group’s incentive income. As explained under the “Business” section of this prospectus, we earn incentive income from our GDS providers and the amount of incentive income is calculated based on the number of air ticket segments booked through our Group with the GDS. We also earn incentive income from airlines, hotel operators, and land agents; the amount of incentive income is generally calculated with reference to the amount and/or volume of sales transactions booked through our Group with the relevant travel suppliers. The incentive systems are functional on progressive rates which means that a higher percentage of incentive (subject to certain maximum percentage) may be payable to us as the sales and/or volume turnover increases to the next higher sales and/or volume turnover band booked through our Group. Any increase in the scale of our sales and/or volume turnover would contribute to maximising the incentive income rates receivable by our Group. According to our suppliers’ incentive schemes, our Group is not given any different treatment on our retail sales and corporate sales. Certain incentive schemes offered to us by airlines put weights on a basket of parameters such as a special incentive for

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meeting certain specified thresholds of normal-fare tickets. To the extent that the travelling patterns and preferences in respect of our Group's retail sales and corporate sales are different, our Group's retail sales and corporate sales may contribute differently to our Group's benefits under our suppliers' incentive schemes.

The corporate sales segment is modelled on a different working capital structure from that of the retail sales segment as it is a market practice for the travel agent to grant credit terms to corporate customers whereas retail customers are normally required to make payment in advance or upon collection of tickets and booking vouchers. Our Directors understand that it is common in the corporate sales segment to allow credit terms of up to 30 days. The corporate sales segment has so far not been our core revenue or profit driver. Our Directors are determined to manage our operating cashflow and credit risk exposure prudently. Our Directors expect that our Group will be required to allocate an additional sum of working capital to support the operations of the corporate sales segment. The relevant risk factor relating to the development of the corporate sales segment has been set out in the "Risk factors" section of this prospectus.

In addition to the above, the business model of corporate sales differs from that of retail sales in that, prior to opening an account with us, corporate customers go through a screening process by the Group as opposed to retail customers who generally just walk in, corporate discount rates may be extended to corporate customers, incentives may be offered to corporate customers upon meeting certain sales thresholds and the provision of various value-added services to corporate customers including special servicing by an assigned team, regular visits by the sales team, complimentary delivery of travel documents and the provision of a periodic management information report used by our corporate customers to analyse their travel expenses by various parameters including by corporate account, by division or department and by individual staff, within a specified period of time.

Our Group has been established for 25 years by 2011 and operated more than 50 retail shops as at the Latest Practicable Date. Our success is attributable to our strong corporate brand name, a solid operating platform, satisfactory business relationship with suppliers and a dedicated management team. We rely on our operating platform to support our future expansion. We also rely on the service quality of our staff to remain competitive. Our Directors expect that our Group's operating platform will sufficiently support our Group to meet the challenges of expanding horizontally to capture more corporate sales business.

TEBSL is the company in our Group which is used to create a separate corporate identity for developing the corporate business. The business plan for the year ending 31 March 2012 comprises the recruitment of a new full time senior executive who is responsible for leading the expansion of the corporate business for our Group and new account executives to strengthen our sales and business development capabilities with a focus on corporate customers. In parallel to strengthening our human resources, we have designed a new information system to streamline certain work procedure and enhance certain reporting functions with a view to raising our service standards for our corporate customers.

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Our Directors believe that we are a long-established travel agency with a strong market presence in Hong Kong. Our sizable retail client base is a resourceful pool for cultivating potential corporate business when appropriate targeting and marketing effort is given. There are very few travel agencies in Hong Kong which specialise on corporate sales and have a network size comparable to that of our Group. Our Directors believe that our market presence in Hong Kong creates a positive influence on brand recognition and have confidence in competition with established and major players in the corporate sales market. Our Group's retail sales provide our Group with liquidity which also enhances our competitiveness over established and major players in the corporate sales market.

### **Exploring possible regional expansion**

Our Directors have been looking for opportunities to scale our operations vertically and/or horizontally. Our Directors envisage that our Group may expand geographically out of Hong Kong with a priority in Asia (including the PRC) by way of acquisitions, franchise or forming joint ventures with strategic partners although no definitive action plans have been drawn up as at the Latest Practicable Date.

To prepare for our possible regional expansion, we have registered three trademarks in the PRC and one trademark in Singapore. Neither the PRC nor Singapore is our Group's only target expansion market. We have not formulated any other plans or a timetable 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 investment opportunities that may be presented to us from time to time.

TEL has received an opinion letter issued by the Tourism Administration of Guangdong Province (廣東省旅遊局) dated 26 July 2011 affirming that the Tourism Administration agrees with TEL's application for setting up a wholly foreign owned travel agency in Shenzhen, the PRC and the supporting documents are in compliance with the relevant laws and regulations in the PRC. It is also set out in the opinion letter that the English name and the Chinese name of the WFOE are Travel Expert (Shenzhen) Limited and 專業旅行社(深圳)有限公司 respectively. After that, we have submitted an application to the Shenzhen Science, Industry, Trade and Information Technology Commission (深圳市科技工貿和信息化委員會) for the establishment of the WFOE. We are studying the feasibility of an e-business model of travel agency in China and promotion of quality outbound tour packages from China and Hong Kong. Our Group plans to inject registered capital of RMB500,000 (equivalent to approximately HK\$0.61 million) into the WFOE as an initial funding for its operations. We have not yet drawn up any concrete business plan regarding our Group's expansion in the PRC and thus do not have any plans on any other capital expenditure as at the Latest Practicable Date. In addition to the aforesaid, our Group has submitted to the Trade and Industry Department of the HKSAR an application for certification as a Hong Kong supplier to supply travel agency services and tour operator services in Mainland China. On 21 April 2010, the Trade and Industry Department of the HKSAR issued a certificate certifying that TEL has met the standard of a Hong Kong service supplier as stipulated in the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) and its supplement(s).

Our Directors and senior management of our Group presently do not possess any relevant experience and expertise in the PRC retail and online travel agency business. However, we plan to employ suitably qualified personnel to manage our Group's businesses in the PRC once our expansion plan is in a more advanced stage.

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### **Consolidating our operational infrastructure to prepare for future expansion**

Following years of rapid business expansion, our management team has accumulated substantial managerial and technical intelligence which if utilised appropriately will produce dramatic improvements in many aspects to the efficiency of the operations of our Group. Our Directors consider that it is our priority for strengthening our operational infrastructure to enhance our Group's ability to tackle any cross-border expansion in the future.

Our Directors plan to centralise our support staff in our Group's newly acquired office premises at 9th Floor, Kowloon Plaza, No. 485 Castle Peak Road, Kowloon and consolidate our Group's operational infrastructure. Our Directors plan to allocate more resources to improve our Group's communications systems, training facilities and conferencing facilities to prepare for our Group's possible expansion in the future.

Our Directors recognise the importance and benefits of maintaining an efficient management system. Our Directors plan to upgrade our information systems to strengthen the ability of our Group to scale our management and operational efficiency. Our target objectives include:

- enhance information sharing between departments of our Group and thus allow quicker assessment and analysis of our Group's operational and financial data by our Group's management;
- establish an alternative online operation system to streamline sales workflow and minimise non-systematic errors;
- establish an advanced customer relationship management system;
- revamp our Group's human resources system to enhance the efficiency of our Group's mentoring functions; and
- enhance our Group's e-commerce capability.

Our Group plans to open more retail branches at strategic locations and to strengthen our sales teams to serve the growing customer demand. We shall equip our new office with the most up-to-date data processing and communication facilities and to connect all of our retail shops electronically by an "always-on" network, which is a network to provide data communication services between all our retail shops and our central server pool 24 hours, 7 days a week. This is important to gain our competitiveness in the travel industry whereby it is critical for information and data to be collected accurately and on a timely basis. This "always-on" network is supported by a licensed data communication provider in Hong Kong. This dedicated network will ensure the quality of the service of our retail shops which are scattered all over Hong Kong Island, Kowloon and the New Territories.

The sales activities will be pooled to our backend data warehouse system for more detailed and timely analysis. The sales data is fragmented and we have been building up the analysis tool to group the fragmented data into organised information as a data warehouse system. This is a helpful tool for our management to study the trend of our Group's different lines of business in different category of branches; and also a good tool for our management to project sales.

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With this improved infrastructure, all our retail shops and the staff in each retail shop will be connected either by voice and/or video communication so that we can maximise our training time and results with our staff. We are also considering an e-learning system which can deliver the training in a more convenient way.

We have always emphasised strongly on staff training with respect to service quality, product knowledge and customer service. We have been using traditional classroom style training so far. With our growth in business and the increasing number of staff, the traditional classroom style training may not be sufficient to cope with the increasing training need. Therefore, we started a project to study the use of Internet and interactive teaching and coaching tools to deliver our service requirements and product knowledge to our staff through the Internet platform. This project is led by our Talent Management Division.

The setting up of the Cruise Centre has proven the success of using hotline support to sell special products. We plan to extend this method of support to our long-haul products and MICE products. Therefore, advanced telephone system will also form part of our operational infrastructure to support our future expansion.

### USE OF PROCEEDS

Based on the mid price of the Offer Price range of HK\$0.63 per Offer Share, the net proceeds of the Share Offer are estimated to be approximately HK\$49.5 million. Our Directors presently intend to use the net proceeds for the following purposes:

- approximately HK\$19.8 million (being approximately 40% of the estimated net proceeds of the Share Offer) for development of our Group's corporate sales business;
- approximately HK\$19.8 million (being approximately 40% of the estimated net proceeds of the Share Offer) for exploring possible regional expansion in Asia (including the PRC);
- approximately HK\$5.0 million (being approximately 10% of the estimated net proceeds of the Share Offer) for consolidating our operational infrastructure to prepare for future expansion; and
- approximately HK\$4.9 million (being approximately 10% of the estimated net proceeds of the Share Offer) for the general working capital of our Group.

There are risks that we may not be able to execute our business plans or there may be changes to the timing of our plans. Please refer to the section headed "Risk factors" of this prospectus for the relevant risks.



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In the event that the Offer Price is fixed at HK\$0.56 or HK\$0.69 (being the respective lowest and highest points of the indicative range of the Offer Price as stated in this prospectus), the net proceeds of the Share Offer will be approximately HK\$42.6 million and HK\$55.3 million respectively after the deduction of all underwriting fees and expenses paid and payable by us. In the event that the net proceeds are less or more than HK\$49.5 million by reason of the Offer Price being fixed at a price lower than or above HK\$0.63, we intend to adjust the allocation of the net proceeds to the above uses in the proportions stated above.

To the extent, if any, that the net proceeds to us from the Share Offer are not immediately applied for the above purposes, we will deposit the net proceeds into an interest-bearing bank account or may purchase money market instruments.

We will issue an announcement in Hong Kong if there is any material change in the above-proposed use of proceeds.

### **RISK FACTORS**

We believe that there are certain risks involved in the Share Offer. A detailed discussion of the risk factors is set out in the section headed “Risk factors” in this prospectus. These risks can be categorised as follows:

#### **Risks relating to our Group**

- Reliance on key personnel and management members
- Exposure to risks associated with termination of our leases
- Foreign exchange exposure
- Our business may be affected by changes in economic conditions
- Exposure to risks of third parties’ claims, counter-party risks and other risks which are beyond our control and not subject to our insurance coverage
- Exposure to credit risks in respect of our corporate sales
- Dependence on protection of our trademarks and intellectual property rights
- Risks associated with implementation of our Group’s future plans
- Risks associated with our Group’s expansion plans in the PRC
- Dividends paid in the past may not be indicative of the amount of future dividend payments or our Group’s future dividend policy

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- We have certain compliance irregularities which may lead to enforcement actions being taken against us
- Dependence on our major suppliers and our ability to source travel products
- Reliance on external systems and services
- Our Group is subject to minimum GDS bookings and segments commitment with our GDS providers
- We have not carried out any systematic verification on our Group's incentive income receivable during the Reporting Period
- Uncertainties associated with the expansion of our business
- Our current information system does not generate segmental breakdown of our results

### **Risks relating to travel industry**

- The travel industry is cyclical and particularly sensitive to economic conditions
- Our business is subject to seasonality factors
- The outbreak or threatened outbreak of any severe contagious diseases could adversely affect our business and results of operations
- Our business may be adversely affected in the event of natural disasters, such as an earthquake, terrorist attack or other catastrophic events in countries which are popular travel destinations for our customers
- We may not be able to renew our existing regulatory licences
- Any possible reformation of the regulatory framework of the tourism industry in Hong Kong could adversely affect our operations
- We face competition from competing agents and alternative travel booking media
- We are exposed to the risk of strikes of cabin crews and cancellation of airline flights

### **Risks relating to the Share Offer**

- There has been no prior public market for the Shares and an active trading market may not develop
- The trading volume and share price of the Shares may fluctuate

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## SUMMARY

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- Future sales of substantial amounts of the Shares in the public market could adversely affect the prevailing market price of the Shares
- Shareholders' interests in our Company may be diluted in the future
- The interest of our Controlling Shareholders may not always coincide with our interests and those of our other Shareholders

Please refer to the section headed "Risk factors" in this prospectus for details.