

---

## BUSINESS

---

### DESCRIPTION OF BUSINESS

#### Introduction

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 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 four 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. We believe that non-escorted, customised trips are best suited to our targeted customers’ travelling needs. Our customers enjoy the flexibility, independence and freedom of non-escorted travel. Travellers are simply not satisfied with the standard tour sights, but want and desire the fun, adventure and experience gained from their customised journeys.

---

## BUSINESS

---

Retail sales is one of our key business strengths. As at the Latest Practicable Date, we employed a total of 360 sales staff working at more than 50 retail shops located in different areas in Hong Kong, including outlets located in MTR stations, shopping malls and high streets with excellent pedestrian traffic and visibility.

We have established good relationships with many major airlines operating in Hong Kong and we are able to reliably secure seats and obtain air tickets directly from those airlines.

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. These criteria and qualification are set out in detail under the paragraph headed “IATA accreditation” of this section.

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.

### **Pricing policy**

Our Group uses a cost-plus model in the pricing of our packages. Our Group’s travel consultants are provided with information on the costs of the relevant travel products and a list of recommended sales margin amounts which is prepared, and reviewed from time to time, by the management of our Group having considered (among other things) the prevailing market conditions and prices of competitors. For customers who purchase preset travel packages with specified travel products and quoted prices as set out in our Group’s printed flyers or similar marketing materials, the gross sales proceeds payable by our Group’s customers are based on such quoted prices subject to the terms and conditions referred to in the flyers. For customers who purchase tailor-made packages according to their specific requirements, our Group’s travel consultants are responsible for determining the total gross sales proceeds payable by the customers on the transaction based on factors such as the costs of relevant travel products, our Group’s recommended sales margin amounts in respect of the travel products and other marketing considerations including the business relationship and future business potential with the customers. Our Group monitors the gross margin of the transaction as a whole. The gross sales proceeds and the gross margins are not segregated into the underlying travel products in each transaction. Our Group’s booking system controls the gross margin percentage of all transactions within a pre-approved range as determined by the management of our Group. Sales transactions with gross margin percentages which are outside the pre-approved range can only be completed subject to the prior approval of the counter manager at the branch concerned.

---

## BUSINESS

---

The sales price of tailor-made packages is subject to certain discretion by our Group's travel consultants. Our Group's travel consultants are motivated to maximise the gross margin as our Group's travel consultants' remuneration packages also include an incentive scheme whereby commission will be calculated based on each travel consultant's profitability performance. In order to keep the pricing competitive, our Group's travel consultants would try all possible means to identify the most economical supply of travel products to maximise the gross margin of the transactions.

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, as at the Latest Practicable Date, we are guided by TIC's Directives No. 75, 112, 140 and 190 in respect of the amount of service fees we may charge for each specified service. Save for Directive No. 190 which represents a general guideline, the service fees stipulated by TIC in the other directives are mandatory requirements. During the Reporting Period and as at the Latest Practicable Date, our travel consultants are allowed the discretion to waive part or all of the service fees on a case by case basis having considered the business relationship and future business potential with the customers. Save as disclosed in the following table, the maximum amount of service fees charged to our customers does not normally exceed the amount stipulated in TIC's Directives No. 75, 112, 140 and 190.

	<b>Recommended service fee under TIC's Directive No. 190 (effective 1 November 2010)</b>	<b>Service fee charged by our Group (as at 31 July 2011)</b>
1. Provision of ticketing services		
a. Processing and handling of partial ticket refunds	HK\$250 per ticket or transaction (whichever is applicable)	HK\$0 to HK\$2,000 per ticket
b. Issuing of zero-commission or low-cost-carrier air tickets		The higher of HK\$250 per ticket and 5% of the face value of the ticket
2. Processing and handling of visa applications	HK\$200 per visa	HK\$200 to HK\$500 per visa
3. Processing and handling of urgent visa applications or provision of other passport-related services (passport renewal, student/employment passes, etc.)	HK\$400 per visa	HK\$400 to HK\$800 per visa

---

## BUSINESS

---

### 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.

We place considerable emphasis on developing new packages in three major themes: ecology packages, adventure packages, and modern China packages.

Ecology packages include locations that are renowned for environmental exploration and which enable travellers to experience life in a pristine and natural form. Packages to these destinations of natural beauty may feature optional tours to natural attractions or activities such as island hopping, hiking, bird-watching, etc.

Adventure packages are designed for customers who would like to travel to destinations that involve substantial real life experiences like staying in “minshuku”, hostels, farms and cottages. We are devoted to introducing packages and optional tours that involve unique experiences. Farm-stay packages, minshuku-stay packages, dolphin-feeding tours, white water rafting tours, mountain climbing tours and glider-riding tours are all elements of our adventure packages.

We have developed packages with the aim of promoting vacationing in Mainland China. Some examples are Banyan Tree packages to Lijiang and Shangri La, ski trips in Harbin, river cruises along the Yangtze River, beach and golfing tours to Hainan Island and trips to western China (for example: Kashgar and Urumqi).

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

---

## BUSINESS

---

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, 196 corporate customers as at 31 March 2009, 2010 and 2011 respectively, of which more than 90% are recurring customers. We have had more than three years of relationship with our corporate customers and the number of transactions which they book through our Group averages to more than 30 during each of the three years ended 31 March 2011. 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. The number of corporate customers and their contribution to our Group's gross sales proceeds declined during the Reporting Period as we focused our resources to develop our retail sales network.

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.

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 heading "GDS" in this 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 and hotel operators and 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.

---

## BUSINESS

---

### COMPETITIVE ADVANTAGES

#### **We have an established market presence and brand name in Hong Kong**

We are one of the long-established travel agents and travel consulting companies in Hong Kong. We position ourselves as an FIT specialty travel agent providing customers with high quality travel information and facilitating all necessary bookings for their customised itineraries conveniently and efficiently at one stop. The retail travel agency business is the core market of our business. We believe that our high visibility and established brand name are important factors which have enabled us to stand out from our competitors.

TEL, the principal subsidiary of our Company, was incorporated in Hong Kong in 1986 and commenced operations in the same year. Since commencing operations in 1986, we have established ourselves as a popular brand in the travel industry in Hong Kong and we intend to remain strongly rooted in Hong Kong. We have been one of the pioneers in the development of air-plus-hotel outbound packages in Hong Kong, which enables our customers to enjoy the pleasure of out-bound travelling with customised itineraries and budgets.

TEL possesses 25 years of travel industry experience in Hong Kong by 2011, and as such, we consider that we have an in-depth understanding of the travel industry which gives us a competitive advantage over less experienced competitors. TEL has developed its business through economic booms and downturns, like the latest global economic turmoil, the Asia financial crisis, the SARS outbreak and the swine flu outbreak. TEL believes that it is well-placed to weather any future economic storms and to grow its business in the coming years.

The Directors consider that around twenty years ago, Hong Kong residents were still rather conservative about travelling abroad. At that time, TEL spotted the potential in the Hong Kong travel industry given its proximity to other destination (eg: Mainland China, Singapore and Taiwan). Our Group started arranging tickets and hotel reservation services for independent travellers, laying the foundation for our business to evolve into its proven model as it is today. Steadfast in achieving our goal of becoming a travel service expert, our Group serves customers who place high demand on the quality of their travel experience and want to make their own decisions about their tours. Our management believes that independent travel is attractive because it gives consumers freedom to choose their own carriers, travelling schedules, accommodation, transportation mode, sights to visit and cost, making it suitable for people with different preferences and budgets.

We expensed approximately HK\$9,053,000, HK\$10,781,000 and HK\$12,105,000 in advertising and promotion for each of the years ended 31 March 2009, 2010 and 2011 respectively. We have advertised on TVB, the dominant free-to-air television broadcasting company in Hong Kong. Our television advertisements have featured a local artiste, Mr. Wong Cho Lam (王祖藍), and we have sponsored various television programmes on TVB, such as “Scoop” (東張西望), “Born Rich” (富貴門), “The Seventh Day” (最美麗的第七天), “Hot Shot” (籃球火), “Last Paradise” (現代塵世美), “Season of Love” (愛的季節) and “Something about Love” (你們我們他們).

---

## BUSINESS

---

### **We have an extensive distribution network in Hong Kong**

We have more than 50 retail shops situated all over Hong Kong. We believe by locating our branches at the busier streets, high density residential areas, MTR stations and even satellite towns, the accessibility of our outlets is superior to our competitors. In addition, a number of our retail shops open 365 days a year to serve our customers' travel needs. We seek to gain greater access into the community and introduce a travel convenience store experience to our customers.

With our sales network spanning Hong Kong Island, Kowloon and the New Territories, we are capable of offering our customers convenient, professional and specialised services, which are consistent with our service commitment of “We do the best in delivering the most comprehensive services to you” (“更全面旅遊服務, 我哋為您做得到!”).

We have explored the development of our distribution network through the Internet. Promoting our services through this vast public platform helps to effectively spread our product information to all walks of life efficiently, thereby allowing us to seize additional market opportunities. Additionally, the word-of-mouth positive service experience among our consumers is also a powerful marketing tool that we focus upon. Our sales team is committed to providing quality services that encourage customer loyalty and thus generating a positive image about our Group in the market place.

Our Directors believe serving customers with “professionalism” is the best way to win their support and trust over time. Our dedication to providing professional services is also the philosophy underscoring our Group's operations over the years.

The number of travellers we serviced increased from approximately 235,000 headcounts for the year ended 31 March 2009 to approximately 270,000 headcounts for the year ended 31 March 2010 and then to approximately 320,000 headcounts for the year ended 31 March 2011. We believe that the increasing trend was partly a result of the increase in our number of retail shops and consumer recognition of our brand name and services.

### **Our management and staff provide quality services and understand the market and customers' needs**

Our business is highly service-oriented. It is our corporate mission to provide our customers with the best travel experience. At our outlets, our professional consultants are capable of putting together a personalised itinerary for every customer. We ensure our customers are provided with all necessary information and are provided with information in respect of various value-added travel options as well. We are committed to being a FIT specialty travel agent who constantly aims to exceed customers' expectation.

Our management team, including Mr. Ko and Mrs. Ko (who have been working in the travel industry for over 10 years and over 25 years respectively) has extensive experience and in-depth knowledge of the travel industry and market. Our management team is responsible for the implementation of our strategic goals and policies, with the essential support of our dedicated staff. We were one of the first companies in Hong Kong to promote, design and sell FIT packages which can be customised based on the specific requirements of our customers.



---

## BUSINESS

---

Our business is customer-oriented. To help us understand our customers' needs by various means, we launched a live chat service on our website in 2010. Our customers can send their queries electronically via our Internet live chat service. Our travel consultants are available to answer queries real-time. Our Directors are of the view that the live chat service allows our customers to conveniently communicate with our travel consultants who should provide them with relevant and timely response on travel related information.

Our travel consultants, supported by our Product Development Division, are provided with the most up-to-date travel related information including destination information and carrier policies via our Intranet system. This facilitates our travel consultants to provide quality information to assist our customers in deciding their travel plans.

We believe that such initiatives help us to differentiate ourselves from our competitors and enable us to maintain a competitive edge in a highly competitive market.

### **We have established excellent business relationships with airlines**

Instead of only relying on wholesale agents authorised by airline operators to supply us with air tickets, we have established direct sale and purchase relationships with the major airlines, including Cathay Pacific Airways, Hong Kong Dragon Airlines, Hongkong Airlines, American Airlines, Eva Airways, Air China, China Southern Airlines, Continental Airlines, Delta Air Lines, Emirates Airlines, Korean Air, Malaysia Airlines, China Eastern Airlines, Air New Zealand, Orient Thai Airlines, Asiana Airlines, Bangkok Airways, Philippine Airlines, Qantas Airways, SriLankan Airlines, Vietnam Airlines, Jet Airways, British Airways, Thai Airways and Lufthansa. We believe that this provides us with a competitive cost advantage against those travel agents which only rely on wholesale agents authorised by airline operators to supply them. Most of the major airlines also provide us with block seats in advance from time to time which enables us to develop good value travel packages and to complete sales of travel packages or air tickets more efficiently as we have a higher degree of control over the quantity and pricing of seats available to us on the designated flights.

We earn incentive income from airlines and the amount of incentive income is generally calculated with reference to the amount of sales transactions booked through our Group with the airlines. The incentive system is 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.

### **We have established excellent long-term business relationships with hotels and land agents**

We have established business relationships with many hotels and land agents located in various popular travel destinations. Accordingly, most of these hotels and land agents offer credit terms and competitive rates to us. These hotels and land agents also provide us with allotments from time to time which has enabled us to establish a niche in designing travel packages of good value and completing sales of travel packages or hotel bookings more efficiently as we have a higher degree of control over the quantity and pricing of hotel room nights available to us subject to the allotment arrangement.



---

## BUSINESS

---

We earn incentive income from certain hotels and land agents, and 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 hotels and the land agents. The incentive system is 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.

### **We have established good strategic relationships with tourism boards**

We nurture and develop strategic relationships with tourism boards of destinations popular with Hong Kong residents, as this enhances our competitiveness and our level of current travel information. We have established relationships with, amongst others, KTO and the Taiwan Tourism Bureau.

In May 2009, we entered into a memorandum of understanding with KTO pursuant to which we mutually agreed with KTO to develop strategic relations on the following terms:

- (a) KTO fully supports the information and brochures for developing new Korea travel programmes.
- (b) KTO fully supports the promotion of our Group's Korea travel programmes.
- (c) Our Group actively develops and sells various Korea travel programmes.

The memorandum of understanding entered into by our Group with KTO is not exclusive to us and it is not a prerequisite for us to conducting travel business in Korea.

In 2008, the Taiwan Tourism Bureau bestowed an award on us in recognition of our contribution towards the provision of travel information about Taiwan. We continue to promote Taiwan as a travel destination for Hong Kong residents. The Taiwan Tourism Bureau also provides us with the latest information regarding their Taiwan marketing campaigns.

### **We offer diversified products**

Our extensive range of products enables us to meet the market needs of consumers comprehensively. On top of our core products, we, as an appointed agent of various associations, provide other transportation arrangements (including car rentals, bookings for ferries, buses and airport express service), cruise bookings, escorted tour bookings, local theme park tickets, visa processing, travel insurance and other activities bookings to the public. Above and beyond these services, we also provide theme-type packages, such as weddings, wellness and other activities, and eco-tourism. By providing these products and services, we aim to further strengthen our position as a one-stop-shop FIT specialist who has the widest range of products to attend to the needs of our travellers.

---

## BUSINESS

---

### **We have established a stringent quality control system**

Our principal products are travel services, such as air tickets, train tickets, ferry tickets, cruise bookings, car rental bookings, the booking for hotels and other accommodation, and the reservation of leisure activities. We place our utmost emphasis on providing the highest quality of our product offerings, and adopt stringent quality control assessment procedures. We aim to provide the best-value air tickets available subject to a customer's budget and strive to provide quality accommodation at competitive prices from reliable suppliers. Our management believes that our commitment to the quality of our services differentiates us from our many of competitors.

### **We have managed our cashflow carefully**

We usually do not keep an excessive level of inventories which ties up our funds. We only purchase from the suppliers when customers place an order with us.

We analyse our business income and payables patterns periodically. We believe that it helps us to ensure that a sufficient level of liquidity is maintained at all times. Moreover, we keep a minimal debt gearing and have recorded an insignificant amount of bad debts or write-offs.

### **We have established competitive prices**

We believe that we are able to offer our travel products and quality services at very competitive prices due to the following factors:

- (i) we aim at keeping our labour costs competitive;
- (ii) we aim at keeping our advertising and rental costs low through our cost control measures;
- (iii) we have an established market presence and an increasing trend of client base;
- (iv) we operate under relatively low debt gearing and therefore incur relatively low financial costs;
- (v) we maintain relatively high levels of liquidity;
- (vi) we operate with low levels of inventories (comprised largely of transportation tickets and amusement park tickets) as we normally only place orders for carrier seats and hotel accommodation when we receive orders from customers; and
- (vii) we have very low levels of bad debts from our clients during the Reporting Period.

### **We are committed to staff training and development**

Talents with expertise and job related knowledge are our assets. We have established an in-house training centre with a team of experienced travel specialists as coaching staff. Such arrangements allow us to accurately and comprehensively cater for the different training needs of our staff. We have appointed external professionals to train our in-house trainers and deliver regular seminars to our staff.

---

## BUSINESS

---

We have an intensive and standardised in-house training programme to train our new joiners. The programme does not take into account their previous knowledge and experience, and the length of training will not be modified at the discretion of our trainer. This allows all staff to gain an understanding of the core techniques at the first opportunity and, more importantly, allows us to hire talents regardless of their experience.

We have adopted an assessment scheme to systematically review and appraise the skills and knowledge development of our travel consultants. The assessment scheme provides an important reference for the management team to evaluate the performance and potential of our travel consultants.

### **Our employees are our most valuable asset**

We firmly believe that our employees are our most valuable asset. A majority of our senior management staff have worked with our Group for 15 years or more. Amongst our total work force exceeds 470 as at the Latest Practicable Date, approximately one fourth of our total work force have worked with our Group for five years or more. Our Directors believe that these employees are experienced in their respective area of specialisation and have offered invaluable insights which assisted the Company to shape its success over the years. These employees are considered the lead staff members in our workforce.

We have realised the need to utilise the wisdom of professionals to improve our operation process. We thus recruited professionals as our functional heads. They have a firm understanding of the success of other firms and have brought in new elements to our Group. Senior department managers have been encouraged to study for higher education programmes in business or related subjects.

A number of management trainees have been recruited to bring new business ideas to the table. Being young and energetic, they are ready to respond quickly to the current dynamic marketplace. Their fresh ideas are definitely beneficial for moving the business forward.

### **We are committed to continuous improvement in our information system**

To cope with our business expansion, we have to keep upgrading our IT infrastructure. These include the purchase of computer hardware and software, server upgrades and the establishment of an always-on network. We house our servers in a managed data centre, so that stability of these servers can be assured. In addition, we have also implemented technology in response to changing business conditions. Such solutions include our front-end Point-of-Sales System, Integrated Mid-Office System and Enterprises Resources Planning (ERP) System. These systems have assisted us in streamlining our operation process and support our goals cost-effectively.

## **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

---

## BUSINESS

---

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.

It is our strategy that our frontline travel consultants are trained to provide a one-stop service and follow through the whole sale process. A portion of our sales are attributable to recurrent customers and referrals by existing customers. Our frontline travel consultants are encouraged to build up client relationships.

As at the Latest Practicable Date, about half of the number of our sales staff were registered with the IARB as insurance agents to sell travel insurance products to our travel customers. The commission income attributable to the sale of travel insurance did not represent a significant proportion of our Group's revenue during the Reporting Period. The availability of such service has provided flexibility and convenience to those customers who need it. The selling of travel insurance is subject to compliance with the ICO. Our Group has established formal policies and procedures to ensure compliance with applicable regulations which includes, establishing a control mechanism in our operations systems whereby only travel consultants with a valid registration with the IARB are authorised to sell travel insurance to our customers. Our human resources department maintains a list of travel consultants with valid registrations with the IARB and is responsible for monitoring the registration of our staff with the IARB and updating our operations systems with the respective registration numbers and corresponding expiry dates, as and when necessary.

### MARKETING AND PROMOTION

Our marketing initiatives include attending trade fairs, exhibitions and forums, promotion of our services on our corporate website, our marketing department and media advertising.

Our total advertising and promotion related expenses was approximately HK\$9,053,000, HK\$10,781,000 and HK\$12,105,000 for the years ended 31 March 2009, 2010 and 2011 respectively, accounting for approximately 8.3%, 9.5%, and 8.7% respectively, of our total selling and distribution costs for the relevant periods. During the Reporting Period, some independent tourism organisations have cooperated with us to participate in promotional events and we received certain sponsorship/subsidies from them. The joint advertising income represented approximately 3.1%, 25.0% and 40.4% of our other income for each of the years ended 31 March 2009, 2010 and 2011 respectively.

---

## BUSINESS

---

### **Trade fairs, exhibitions and forums**

We regularly participate in travel trade fairs, exhibitions and forums. Participation in such travel trade fairs, exhibitions and forums allows retail and corporate customers to review our full range of services. We believe it provides us with customer exposure which we would not be able to achieve solely through media marketing campaigns.

We participate in fairs and exhibitions which have included the Korean Food and Travel Festival and the Korean White Festival in 2009, 荷里活廣場2010, 台灣農莊美食節~DIY親子之旅 (2010 Taiwan Food Fair in Plaza Hollywood\*), the One Malaysia Fair and the International Travel Expo which was held in Hong Kong in 2010. These fairs and exhibitions allow us to increase our presence in the travel industry and increase the market awareness of our packages and services.

### **Corporate websites**

Our customers can obtain information on pricing of air tickets, hotel rooms and packaged tours, purchase air tickets via our website and contact us electronically to make reservations. To ensure that we are able to provide the packages and services required by our customers when they visit our website, our webmaster has been constantly working to ensure that competitive rates and appropriate products are offered on our website. We have also launched a live chat service on our website in 2010 to allow our travel consultants to provide our customers with immediate travel related information. The address/URL of our website is: <http://www.travelexpert.com.hk> (information contained in the website does not form part at this prospectus).

We maintain visibility on the Internet such as through search engines which we believe is a cost-effective way to reach targeted customers on the Internet. Our webpage is easily accessible via a number of major search engines and we constantly monitor our positioning on such search engines and make modifications to our webpage to maintain our accessibility via search engines. To ensure that we are able to provide the packages and services required by our customers when they visit our website we are constantly working to ensure that updated information is provided on our website.

### **Marketing department**

Our Marketing Department is responsible for formulating marketing strategies. The department carries out market researches and surveys, and the conduct of marketing activities to promote our packages and services.

Our Marketing Department carries out market research by itself or through independent research consultants to gather intelligence for the origination of ideas for new businesses. Over the Reporting Period, we have studied customers' perception on us and the buying patterns of customers, which allow us to develop packages to match customers' requirements. We regularly modify our travel packages so that we can accommodate the changing demands of our existing customers and appeal to new customers.

\* *For identification purpose only*

---

## BUSINESS

---

### Media advertising

We advertise through a variety of channels including newspapers, magazines, distribution of flyers, emails to our customers, television commercials and by sponsoring television programmes. In June 2009, we appointed Mr. Wong Cho Lam (王祖藍), a local artiste, as a celebrity endorser for our packages and services.

We send flyers containing information on our packages and services via direct mailing campaigns by post or electronic means. We also display such flyers at prominent visible areas in our premises and retail shops. We intend that all of our retail shops are strategically located to maximise our visibility to target customers.

### SEASONAL FACTORS

The travel industry business is inherently seasonal, whereby sales of packages and services will increase in respect of holiday periods and decrease in respect of off-peak times and prices of packages and services are subject to fluctuation between peak seasons and low seasons. Accordingly, during the Reporting Period, our sales demonstrated a seasonal pattern. We normally achieved higher revenue in the months of January, March, November and December. The revenue generated in these months in aggregate accounted for approximately 27.26%, 38.62% and 37.82% respectively of the revenue for the years ended 31 March 2009, 2010 and 2011. Our Directors consider that the higher revenue during these months was attributable to the festive holidays including New Year, Chinese Lunar New Year, Easter, and Christmas, when more travellers tend to go on holidays overseas and higher sales were generated shortly before the holidays as travellers booked and paid for their bookings. Our operating results are subject to fluctuations due to seasonality factors from time to time.

### IMPACT OF CHANGES IN ECONOMIC CONDITIONS

Our Group's business is largely dependent on the outbound travel decisions and preferences of our customers which in turn are affected by changes in the global economic conditions. During the 2008/2009 global financial crisis, cost-cutting measures were quickly adopted by local businesses and outbound travel for businesses experienced negative growth whilst Hong Kong leisure travellers opted for discounted travel and short-haul, low duration trips to neighbouring countries, resulting in a relatively stagnant growth in total leisure travel departures from 2008 to 2009. Despite the global financial crisis, our Group's management team continued to steer our Group's business with prudence and seized competitive pricing opportunities offered by suppliers to endure the crisis. As a result, our Group managed to record a minimal increase in revenue for the year ended 31 March 2010 of approximately 1% compared to the year ended 31 March 2009. However, overall our Group suffered a decrease in net profit for the year ended 31 March 2010 of approximately 3.9% compared to the previous year.

---

## BUSINESS

---

### IMPACT OF CATASTROPHIC EVENTS

Our business is susceptible to the impact of any catastrophic events including natural disasters and terrorist attacks, particularly in countries which are popular travel destinations for our customers. Recent events such as the earthquake and subsequent tsunami, and the nuclear radiation leaks which struck north eastern Japan in March 2011, the hostage crisis in the Philippines involving tourists from Hong Kong in August 2010 and the political crisis in Thailand since 2008 may have, to a certain extent, impacted our business operations.

Shortly after and in the months following the earthquake in Japan, our Group experienced a decrease in the number of Japan hotel bookings and air ticket bookings between Japan and Hong Kong. In the months of March, April and May 2011, the number of our Group's hotel room night bookings in Japan decreased by approximately 79%, 92% and 66% respectively as compared to the corresponding months in 2010 whilst our Group's air ticket bookings between Japan and Hong Kong for the months of March, April and May 2011 decreased by approximately 38%, 86% and 69% respectively as compared to the corresponding months in 2010.

Notwithstanding the earthquake and the nuclear radiation leaks which struck north eastern Japan in March 2011, TEL's revenue was not materially affected when compared to the previous corresponding period. Our Directors consider that our customers who decided not to go to Japan soon after the Japan crisis in March 2011 did not give up on travelling, but rather chose different travel destinations instead. Thailand and South Korea were two of the most popular alternative travel destinations following the Japan crisis in March 2011.

In the months of March, April and May 2011, the number of our Group's hotel room night bookings in Thailand increased by approximately 72%, 202% and 382% respectively as compared to the corresponding months in 2010 whilst our Group's air ticket bookings between Thailand and Hong Kong for the months of March, April and May 2011 increased by approximately 55%, 158% and 448% respectively as compared to the corresponding months in 2010.

In the months of March, April and May 2011, the number of our Group's hotel room night bookings in South Korea increased by approximately 79%, 89% and 84% respectively as compared to the corresponding months in 2010 whilst our Group's air ticket bookings between South Korea and Hong Kong for the months of March, April and May 2011 increased by approximately 27%, 45% and 36% respectively as compared to the corresponding months in 2010.

Similarly, shortly after and in the months ensuing the hostage crisis in Philippines in 2010 and the outburst of the political unrest in Thailand, we experienced decreases in our hotel room bookings and air ticket bookings with the Philippines and Thailand as the travel destinations respectively. However, during the same period of time, our Group's hotel room and air ticket bookings to other destinations increased: (1) in the case of the hostage crisis in Philippines, our travel bookings to Taiwan increased relatively more, whilst (2) in the case of the political crisis in Thailand, our travel bookings to Singapore increased relatively more.



---

## BUSINESS

---

As seen from above, catastrophic events may cause a decline in our Group's travel bookings to the affected destination but such negative impact is often partly offset by an increase in travel bookings to other destinations. It is our Group's objective that whenever there is a catastrophic event in, or an outbound travel alert is issued on, the intended destination, we would sort out a list of our customers who are at that time travelling in the affected destination and our staff in our sales department would try to contact those customers by phone call, email or short message service. When there is a catastrophic event, our Group's crisis and emergency management team comprising representatives from various departments, as led by our Chief Operating Officer and the Division Head - Product Development, would meet to discuss the possible ways to cope with the event. We will contact the local land agents and operators and hotels to provide assistance to customers including transportation and hotels. We will also provide customers with a local emergency contact number. TIC has issued directives in relation to the procedures to be adopted by TIC members in handling cancellation and refunds in the event of catastrophic events in respect of package tours but presently, there is no specific directive for FIT travel packages. As such, in respect of customers who have been confirmed with their travel bookings to an affected destination and made full payment to us, we normally follow the instructions from the respective travel product suppliers as the applicable cancellation and refund policies and procedures may differ among airlines and hotels. Generally, in cases of catastrophic events, we may, subject to the refund policies of our travel product suppliers, offer our customers a full refund of the amount paid to us or to reschedule their travel dates and/or arrange for travel packages to alternative destinations. We may charge our customers service fees in accordance with the directives issued by TIC, depending on the type of service(s) required. In respect of the earthquake and subsequent tsunami which struck north eastern Japan in March 2011, we offered our customers who had been confirmed with their travel bookings to Japan and made full payment to us, an option of either obtaining a full refund of the amount paid to us ( after deducting any applicable handling fees) or to reschedule their travel dates and/or arrange for travel packages to alternative destinations of their choice. In cases where our customers opted for the latter, we waived our handling fees. As for the hostage crisis incident in the Philippines which occurred in August 2010, our travel consultants were instructed to assist our affected customers upon their request, to obtain refund of the amount paid or to reschedule their travel dates and/or arrange for travel packages to alternative destinations and charged customers with applicable handling fees. In respect of (i) the Japan earthquake, (ii) the hostage crisis in Philippines and (iii) the political unrest in Thailand, our Group charged handling fees to the customers who successfully requested for a cancellation of package bookings comprising flight and/or hotel bookings. Our Group's travel consultants considered the cancellation requests on a case by case basis and having regard to compliance with TIC's Directive No. 75 in respect of the maximum amount of HK\$300 of service fee charged for cancellation of unused air tickets, waived part or all of the handling fees in some cases. The amount of handling fees charged was dependent on a number of factors including how far the affected suppliers accepted the customers' requests to cancel the confirmed bookings and our Group's business relationship with the affected customers. We are not aware of any relevant TIC's directives regarding handling fees in respect of refunds of unused air tickets under these special situations other than TIC's Directive No. 75 which we have complied with. Our Group's handling fees on services other than cancellation of unused air tickets as determined by our Group were in the range of HK\$0 to HK\$1,500 per person in respect of the aforementioned catastrophic events.

---

## BUSINESS

---

### CUSTOMERS

During the Reporting Period and as at the Latest Practicable Date, our Group provided customised services and travel advice to retail customers as well as to corporate customers which look for solutions to meet the travelling needs of their business executives. During the Reporting Period, (i) retail sales contributed over 90% of our Group's gross sales proceeds, and (ii) corporate sales contributed less than 10% of our gross sales proceeds.

For the years ended 31 March 2009, 2010 and 2011, sales to our top five customers accounted for less than 5% of our total gross sales proceeds.

### 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. As at 31 March 2009, 2010 and 2011, our inventory of these tickets amounted to HK\$554,000, HK\$431,000 and HK\$640,000 respectively and represented approximately 90.1%, 92.1% and 88.5% respectively of our total inventory. As per an arrangement with these suppliers and subject to certain conditions, these tickets are exchangeable once for new tickets in case they are not sold prior to their expiry date. During the Reporting Period, none of these were written off.

For the years ended 31 March 2009, 2010 and 2011, purchases from our top five suppliers was HK\$404.0 million, HK\$371.3 million and HK\$473.4 million respectively representing approximately 46.4%, 43.2% and 43.8% respectively of our total cost of travel related products respectively. The top five suppliers of the Group during the Reporting Period comprised airlines and wholesale agents for air tickets and hotel accommodation.

During the Reporting Period, our Group did not experience any material service failure or suspension by our suppliers which caused operational or financial damages to our Group.

Purchases from our single largest supplier for each of the years ended 31 March 2009, 2010 and 2011 accounted for approximately 25.1%, 21.8% and 23.1% of our total cost of sales.

None of our Directors or their respective associates, or any of our existing shareholders who own more than 5% of our issued share capital, has any interest in any of our five largest suppliers during our Reporting Period.

---

## BUSINESS

---

During the Reporting Period and as at the Latest Practicable Date, a number of airlines including, but not limited to, Cathay Pacific Airways Limited and Hong Kong Dragon Airlines Limited have provided us with incentive reward schemes pursuant to which we have received incentive rewards upon meeting or exceeding certain specified volume and/or sales targets. During the Reporting Period and as at the Latest Practicable Date, our GDS providers have also provided us with incentive reward schemes pursuant to which we have received incentive rewards upon meeting or exceeding certain specified volume targets. We are offered different credit periods by different suppliers, which may be up to 30 days, which provides us with payment flexibility.

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 payment and receipt of money in RMB with parties in the PRC. We set out below a summary of the relevant information.

#### **1. Transactions with Suppliers in the PRC**

During the Reporting Period, TEL sourced Supply from the Suppliers to provide the Booking Service. TEL settled payments to the Suppliers as follows:

- (1) TEL provided the Booking Service to customers in Hong Kong and received payment in Hong Kong dollars.
- (2) The Suppliers billed TEL the Accounts Payable.

---

## BUSINESS

---

- (3) TEL settled the Accounts Payable by the following methods:
- (i) TEL remitted an amount in Hong Kong dollars equivalent to the Accounts Payable to a Hong Kong bank account designated by the HK Company, which is an independent third party, to settle the Accounts Payable. The HK Company then instructed the PRC Parties to remit an amount equivalent to the Accounts Payable in RMB to the PRC bank accounts of the Suppliers. A service fee of HK\$100 was payable by TEL to the HK Company in respect of each settlement completed as described above. TEL has ceased this arrangement since 15 March 2011.
  - (ii) TEL remitted an amount in Hong Kong dollars equivalent to the Accounts Payable to the bank account designated by the HK Company in Hong Kong. The HK Company then instructed the PRC Parties to remit an amount equivalent to the Accounts Payable in RMB to Mrs. Ko's PRC Bank Account. Subsequently, Mrs. Ko remitted the Accounts Payable to the bank accounts of the Suppliers in the PRC on behalf of TEL. A service fee of HK\$100 was payable by TEL to the HK Company in respect of each settlement completed as described above. Mrs. Ko did not receive any interest or benefit relating to the settlement. Mrs. Ko ceased this arrangement (代付行為) since 4 November 2010.
  - (iii) In December 2010, TEL gave RMB in cash to a staff in Hong Kong to settle certain Accounts Payable. The staff brought the money in RMB into the PRC and settled such Accounts Payable. TEL no longer used this arrangement after December 2010.

Our Group has no longer settled any Accounts Payable using the ways as described in (i), (ii) or (iii) above. TEL has requested the Suppliers to bill TEL in foreign currencies and has settled the Suppliers' bills by making remittance via financial institutions which are licensed to conduct cross-border remittance business.

### **2. The settlement of amounts receivable from the SZ client**

TEL provided services including hotel bookings and airline ticketing to the SZ Client. The SZ Client remitted the amounts payable to TEL in RMB into Mrs. Ko's PRC Bank Account instead of TEL's bank accounts in Hong Kong. TEL and Mrs. Ko confirmed that such arrangement was made at the request of the SZ Client. Mrs. Ko did not transfer the money received from the SZ Client outside of the PRC. She had only used the money in Mrs. Ko's PRC Bank Account to settle the Accounts Payable in the PRC as instructed by TEL. We have ceased the aforesaid arrangement since October 2010.

### **3. The settlement of the Service Fee Payable to the Service Provider/PRC IT Consultants**

TEL instructed Mr. Cheung to set up the Service Provider to provide computer system development and maintenance services to our Group. The main reason for TEL to instruct Mr. Cheung to set up the Service Provider instead of TEL setting it up directly was due to the fact that the setting up of a sole proprietorship is administratively simpler than setting up a wholly foreign-owned entity. The reason the Company opted to set up the Service Provider in Shenzhen was due to the relatively

---

## BUSINESS

---

lower operation cost, ease of recruitment of suitably qualified staff and its proximity to Hong Kong. The Service Provider was set up in January 2009 and provided services to our Group, including enhancement of our website, development of the air ticket online booking system which enables customers to make bookings through our website and development of the hotel reservation system used by our frontline staff.

We had planned to set up the WFOE with a view to exploring business opportunities in the PRC. In view of such plans and in order to strengthen our internal control over our Group's operations, we decided to wind up the Service Provider. As such, the Service Provider was voluntarily wound up and deregistered on 17 November 2010. In the interim, pending completion of the registration of the WFOE, in order for our Group to maintain the services of the PRC IT Consultants TEL had, on 18 November 2010, entered into service agreements with the PRC IT Consultants to continue the computer system development and maintenance services to our Group. Prior to the dissolution of the Service Provider on 17 November 2010, TEL settled the Service Fee Payable to the Service Provider as follows:

- (1) TEL gave an amount equivalent to the Service Fee Payable to a few of our staff in cash in Hong Kong dollars in Hong Kong. After converting the money from Hong Kong dollars to RMB, our staff brought the money in RMB to Shenzhen, the PRC through the customs without making any declaration to the customs to settle the Service Fee Payable. Our staff confirmed that the amount of money in RMB was not greater than RMB20,000 in all of such trips to Shenzhen.
- (2) TEL remitted an amount equivalent to the Service Fee Payable in Hong Kong dollars to a Hong Kong bank account designated by the HK Company. The HK Company then instructed the PRC Parties to remit an amount equivalent to the Service Fee Payable in RMB to Mrs. Ko's PRC Bank Account. Subsequently Mrs. Ko remitted the RMB payments to the bank accounts of the employees of the Service Provider in the PRC as settlement of the Service Fee Payable. Mrs. Ko did not receive any interest or benefit in respect of this arrangement. The Company ceased this arrangement since 4 November 2010.

During 1 December 2010 to 9 June 2011, TEL gave cash in RMB to a few of our staff in Hong Kong to bring the money to the PRC to settle the Service Fee Payable to the PRC IT Consultants. Our staff brought the money in RMB to Shenzhen, the PRC through the customs without making any declaration to the customs. Our staff confirmed that the amount of money in RMB was not greater than RMB20,000 in all such trips to Shenzhen. Since 9 June 2011, TEL ceased this payment arrangement and settled the Service Fee Payable to the PRC IT Consultants by making remittance via financial institutions which are licensed to conduct cross-border remittance business.

---

## BUSINESS

---

The annual aggregate amount and the maximum amount of a single settlement involved for each type of RMB settlement arrangements in each of the three years ended 31 March 2011 are summarised below:

		<b>Year ended 31 March</b>		
		<b>2009</b>	<b>2010</b>	<b>2011</b>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		('000)	('000)	('000)
(1)	Accounts Payable:			
	<i>Settlement via Mrs. Ko's PRC Bank Account</i>			
	Annual aggregate amount	2,476	2,270	1,649
	Maximum amount in a single transaction	131	97	83
	 <i>Settlement via cash brought over by our Group's staff</i>			
	Annual aggregate amount	—	—	16
	Maximum amount in a single transaction	—	—	10
	 <i>Settlement through the HK Company</i>			
	Annual aggregate amount	—	—	586
	Maximum amount in a single transaction	—	—	71
(2)	Amounts receivable from the SZ Client:			
	<i>Banked into Mrs. Ko's PRC Bank Account</i>			
	Annual aggregate amount	—	730	351
	Maximum amount in a single transaction	—	332	142
(3)	Service Fee Payable:			
	<i>Settlement via Mrs. Ko's PRC Bank Account</i>			
	Annual aggregate amount	—	184	294
	Maximum amount in a single transaction	—	39	57
	 <i>Settlement via cash brought over by our Group's staff</i>			
	Annual aggregate amount	96	267	181
	Maximum amount in a single transaction	61	48	37

---

## BUSINESS

---

### 4. PRC Legal Counsel's View

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; and
- Mrs. Ko breached the Foreign Exchange Regulations in settlement of the Accounts Payable and the Service Fee Payable. According to the relevant laws and regulations, Mrs. Ko's breaches will not result in any criminal liability on Mrs. Ko but may result in an administrative penalty on her. The maximum of the administrative penalty faced by Mrs. Ko will be the amount equivalent to the lump sum paid by Mrs. Ko within the two years preceding the date when the foreign exchange authority discovers such transactions. Based on the total RMB payments made by Mrs. Ko in the two years prior to the Latest Practicable Date and in accordance with the aforesaid principles, the maximum of the administrative penalty faced by Mrs. Ko amounts to approximately RMB3.2 million (equivalent to approximately HK\$3.9 million).

Our PRC Legal Counsel's view is summarised as follows:

- (1) *TEL did not violate the Chinese laws and regulations in settlement of Accounts Payable and Service Fee Payable*

According to TEL entrusted the HK Company, Mrs. Ko and our staff to make payments to the Suppliers and the Service Provider/PRC IT Consultants, and TEL paid to the HK Company and our staff in Hong Kong and not in the PRC. The Foreign Exchange Regulations, the Criminal Law and other relevant Chinese laws and regulations did not apply to TEL.

TEL was a third party independent from the HK Company and was not in any way involved in the cross-border activities engaged in by the HK Company. Even if the HK Company violated Chinese laws and regulations, TEL shall not be charged with any corresponding offence or bear any corresponding legal liability in the PRC.

- (2) *Mrs. Ko's acts were separate from the HK Company*

Mrs. Ko was not involved in any cross-border activities engaged in by the HK Company, therefore Mrs. Ko shall not be charged with any corresponding offence or bear any corresponding legal liability in the PRC even if the HK Company violated Chinese laws and regulations.



---

## BUSINESS

---

(3) *Mrs. Ko's breach of the Foreign Exchange Regulations in settlement of Accounts Payable and Service Fee Payable*

Mrs. Ko paid the Accounts Payable and the Service Fee Payable through Mrs. Ko's PRC Bank Account. According to the interpretation of the SAFE, the act of paying constituted an Arbitrage under the Foreign Exchange Regulations. As to TEL, since the interpretation provides that a subject of the Arbitrage should be in the PRC and TEL did not conduct its operations in the PRC, TEL cannot be a subject of the Arbitrage.

(4) *The potential liability of Mrs. Ko*

According to the Foreign Exchange Regulations, the Criminal Law, the Decision of the Standing Committee of the National People's Congress of the PRC on the Punishment of Crimes of the Purchase of Foreign Currencies by Deceitful Means, the Foreign Exchange Evasion and Illegal Buying and Selling of Foreign Currencies (全國人民代表大會常務委員會關於懲治騙購外匯、逃匯和非法買賣外匯犯罪的決定) and the Interpretation issued by the Supreme People's Court of the People's Republic of China on Adjudicating Criminal Cases of the Purchase of Foreign Currencies by Deceitful Means, and Illegal Buying and Selling of Foreign Currencies (最高人民法院關於審理騙購外匯、非法買賣外匯刑事案件具體應用法律若干問題的解釋), a subject of the Arbitrage will not be charged with criminal liability. However, the Foreign Exchange Regulations provide that the foreign exchange authority has the power to order the funds involved in the Arbitrage to be reconverted and to impose a fine of not more than 30 percent of the amount of foreign exchange involved in the Arbitrage; if the circumstances are serious, a fine of not less than 30 percent of the amount of foreign exchange involved in the Arbitrage but not more than the total amount involved shall be imposed. Therefore, Mrs. Ko may be subject to an administrative penalty, but will not be subject to any criminal liability in the PRC.

(5) *The limitation of the administrative penalty is two years*

The Administrative Punishment Law of the People's Republic of China provides that unless otherwise specified by law, a person whose unlawful acts are not discovered within two years from the date the relevant acts were committed is not subject to any administrative punishments. The Procedures of the State Administration of Foreign Exchange on Examining Handling Cases of Acts Violating Foreign Exchange Rules provides that unless otherwise specified by law, a person whose acts violate the administration of foreign exchange but are not discovered within two years from the date the relevant acts were last committed (in the case where such acts were committed on a recurring basis) is not subject to any administrative punishments. The maximum of the administrative penalty faced by Mrs. Ko will be the amount equivalent to the lump sum paid by Mrs. Ko within the two years preceding the date when the foreign exchange authority discovers such transactions. Based on the total RMB payments made by Mrs. Ko in the two years prior to the Latest Practicable Date and in accordance with the aforesaid principles, the maximum of the administrative penalty faced by Mrs. Ko amounts to approximately RMB3.2 million (equivalent to approximately HK\$3.9 million).

---

## BUSINESS

---

(6) *TEL and Mrs. Ko did not violate the Chinese laws and regulations to receive payment from the SZ Client through Mrs. Ko's PRC Bank Account*

According to the interpretation of the SAFE, each of TEL and Mrs. Ko did not constitute a subject of the Arbitrage as they were payees and not payers when receiving payment from the SZ Client. Both TEL and Mrs. Ko did not violate the Foreign Exchange Regulation and other relevant regulations. The services were provided by TEL's staff located in Hong Kong and as such were not subject to the laws and regulations of the PRC on the provision of travel products and services.

(7) *Our staff carrying cash in RMB into the PRC did not violate Chinese laws and regulations*

According to the Announcement of the General Administration of Customs (No.72 [2007]), it was not necessary for our staff to make any declaration to customs since the cash in RMB carried by them during each trip to the PRC was not greater than RMB20,000.

### **5. Subsequent Action**

As disclosed above, TEL no longer settles or receives RMB payments via the HK Company, Mrs. Ko's PRC Bank Account or bringing RMB in cash from Hong Kong into the PRC pursuant to the general exemption threshold of up to RMB20,000 per trip. After that, TEL made remittance via financial institutions which are licensed to conduct cross-border remittance business to settle RMB bills in foreign currencies with the Suppliers and the Group has not received any payments of RMB in the PRC.

During 10 June 2011 to 31 August 2011, the Group has paid the PRC IT Consultants and the Suppliers via financial institutions which are licensed to conduct cross-border remittance business. We have not received any negative feedback from the Suppliers nor the PRC IT Consultants and the business relationships with the Suppliers and the PRC IT Consultants continue to be satisfactory. The aggregate amount of RMB payments made via licensed financial institutions was less than RMB340,000 during the aforesaid period which is relatively immaterial to the Group as a whole. In view of the satisfactory business relationships and the relatively immaterial transaction costs despite the new RMB settlement methods, the Directors consider that the changes to the RMB settlement methods have immaterial impact on the Group's operational and financial aspects.

We have not informed the PRC foreign exchange authority of the aforementioned settlement arrangements involving the Group and Mrs. Ko after considering the following:

- TEL did not violate any Chinese laws and regulations;
- The amount of payment paid and received through Mrs. Ko's PRC Bank Account was immaterial and the acts have been discontinued; and
- Mrs. Ko, even if subject to the Foreign Exchange Regulations, will not be charged with any criminal liability. The limitation period of the administrative penalty of foreign exchange transactions is two years. Mrs. Ko may be subject to an administrative penalty only for those foreign exchange transactions which occurred within the limitation period.

---

## BUSINESS

---

Our PRC Legal Counsel has advised us that according to the General Principles of the Civil Law of the PRC, the Company Law of the PRC, the Administrative Punishment Law of the PRC, the Regulation of the PRC on Foreign Exchange Administration, the Procedure of State of Administration on Foreign Exchange on Inspection Handling Cases of Acts Violating Foreign Exchange Rules, and other relevant laws and regulations,

1. the WFOE to be established by the Group in the PRC being a legal person has the capacity for civil rights and the capacity for civil conduct since its establishment, and it independently enjoys civil rights and assumes civil obligations in accordance with the laws of the PRC. The WFOE's capacity for civil rights and its capacity for civil conduct shall commence when it is established and shall end when it is wound up.
2. Even though the WFOE may be associated with Mrs. Ko, the WFOE is still an independent legal person under the laws of the PRC and shall only bear civil liability for its own operational activities. Assuming Mrs. Ko was subject to administration penalty in the future, according to the current laws and regulations of the PRC, this would not have any adverse legal impact (whether directly or indirectly) on the WFOE.

Our PRC Legal Counsel concludes that 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. The WFOE: (i) will not bear any legal liabilities as a result of the activities conducted by TEL and Mrs. Ko; (ii) will not undertake any joint liabilities for the activities of TEL and Mrs. Ko; and/or (iii) will not bear any legal liabilities for TEL and Mrs. Ko.

### GDS

Our Group relies on a GDS to operate our business on a day-to-day basis. A GDS provides us with information on rates and availability of flights, hotel rooms, car rental and cruises. When our customers make a travel inquiry with us, through a GDS we are able to access information on air, lodging, ground transportation and cruises across thousands of travel suppliers and advise our customers accordingly by providing information regarding the options available to them at the quoted prices. In a dynamic marketplace where the products, services and prices may vary with the slightest adjustment of any number of parameters, a GDS is essential in our business as it delivers accurate schedules, fares, availability and with an instant booking capability at the point-of-sale.

As at the Latest Practicable Date, our Group has entered into long term service agreements for no less than five years with two independent third party GDS providers. Pursuant to our GDS service agreements, fees in respect of information access, booking access, hardware usage and services are payable by us to our Group's GDS providers. Both GDS service agreements require us to meet minimum GDS bookings and segments and at the same time provide us with incentive rewards upon meeting or exceeding certain specified GDS bookings and segments volume. The incentive system is 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 turnover increases to the next higher sales turnover band booked through our Group. Any increase in the scale of our sales turnover would

---

## BUSINESS

---

contribute to maximising the incentive income rates. During the Reporting Period, our Group has exceeded the prescribed GDS bookings percentage and the yearly minimum segments. For the twelve months ended 31 December 2010, our Group exceeded the minimum annual segments by more than 100%.

Our Group's aggregate committed minimum segments under the GDS agreements in 2012 represent an increase of approximately 13% over that in 2011 and in 2013 will increase further by approximately 90% over the aggregate committed minimum segments in 2012. As disclosed in the "Business" and the "Futures plans and use of proceeds" sections, our Group plans to develop our corporate sales segment which will not only increase our Group's revenue but may also more than proportionally increase our Group's incentive income. TEBSL is the company in our Group which is used to create a separate corporate identity for developing the corporate business. Our Group's plan to develop the corporate sales segment comprises the strengthening of human resources as supported by information system catering to the needs of the corporate sales business. It is further disclosed in the "Futures plans and use of proceeds" section that 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. TEL has received an opinion letter dated 26 July 2011 issued by the tourism bureau in the Guangdong province affirming that the tourism bureau agrees with TEL's application for setting up a wholly foreign owned travel agency in Shenzhen, the PRC.

Our Directors expect that the development of the corporate sales business and our possible regional expansion will contribute to a surge of the Group's GDS bookings and segments in 2012 and even more in 2013. In light of our Group's track record in meeting the minimum annual segments, the quantum by which our Group had exceeded the minimum annual segment for the twelve months ended 31 December 2010 and our Group's future growth drivers attributable to the development of the corporate sales business and possible regional expansion, our Directors consider that our Group would be able to meet the committed minimum annual segments and avoid any monetary compensation resulting from failure to meet the committed minimum annual segments.

In the event of early termination by our Group of the GDS agreement(s) or if our Group fails to satisfy the very substantial GDS bookings percentage or the yearly minimum segments, as agreed between our Group and the respective GDS providers, our Group is obliged to pay monetary compensation to the GDS providers according to the GDS service agreements. Such monetary compensation may adversely affect our financial condition. There may also be consequential negative impact to our Group's operations and reputation. The risks associated with our commitment to our GDS providers have been disclosed in the "Risk factors" section of this prospectus. During the Reporting Period, our Group continued to meet the GDS bookings percentage and yearly minimum segments imposed under the relevant GDS agreement and hence was not required to pay any compensation for any shortfall. Our Group also did not pay any liquidated damages for early termination of the GDS agreements during the Reporting Period.

---

## BUSINESS

---

During the Reporting Period and as at the Latest Practicable Date, our GDS providers supplied us with substantially all of our hardware and maintenance requirements in connection with the information technology system used in our business. We provide all of our travel consultants and account executives with access to our hardware and software to process air travel bookings and issue air tickets through the GDS which we use.

During the Reporting Period, our Group did not experience any interruption or failure in GDS services.

### INFORMATION TECHNOLOGY

We have developed an in-house software to interface with other external travel booking platforms used by our Group, including the two GDS stated above. We are committed to ensure that such in-house software is up-to-date from time to time.

Our information technology department is responsible for ensuring all systems and applications are running at their optimal levels. Our information technology infrastructure includes firewalls, virus protection, intrusion protection and monitoring which works in conjunction with our off-site data centre. In line with our goal of providing a more cost-effective operational support, we intend to continue to develop these systems to further improve operational efficiency.

In January 2009, TEL instructed Mr. Cheung to set up the Service Provider to provide computer system development and maintenance services to our Group including enhancement of our website, development of the air ticket online booking system which enables customers to make bookings through our website and development of the hotel reservation system used by our frontline staff. We believe that the Service Provider provides us with a solution with lower cost and flexibility on recruiting suitably qualified staff within a reasonable proximity to Hong Kong. The Service Provider was voluntarily wound up and deregistered on 17 November 2010. On 18 November 2010, TEL entered into service agreements with the PRC IT Consultants to continue the computer system development and maintenance services to our Group.

During the Reporting Period and as at the Latest Practicable Date, we maintained an Intranet for disseminating our in-house custom-made travel information among our staff. Our in-house travel information is updated by our product development division regularly. Through the Intranet system, our travel consultants are provided with up-to-date travel information which can be shared with our customers.

We believe that we can maximise our business opportunities by making use of a business-to-consumer electronic platform. We have developed a corporate Internet webpage with a live chat service which enables us to offer our customers personalised real-time service with the speed and convenience of an electronic platform. Our website enables our customers to access our packages which meet their travel needs without having to visit one of our retail shops. Our website also provides us with an enhanced market presence.

---

## BUSINESS

---

We are in the process of upgrading our information system on a progressive basis to enable segmental reporting of our financial information. Our Group's existing booking system will be replaced by a new booking system which will enhance the inputting of segregated data systematically. The new booking system has been designed to be compatible with our Group's accounting information system to enable segmental analysis including gross sales proceeds, revenue and gross profit analyses by categories of travel products and categories of retail and corporate sales going forward. We expect the upgrade to be fully completed by the end of 2012 following which we will present segmental disclosures in our financial statements. However, such disclosure would not be made retrospectively on our historical results.

### INTELLECTUAL PROPERTY RIGHTS

We believe that our trademarks are of substantial value to our business and are an important aspect of our business. We also believe that our business development and the future growth of our services are dependent, in part, on the recognition of our trademarks amongst our customers. We recognise the importance of protecting and enforcing our intellectual property rights. As at the Latest Practicable Date, we were aware that there was another company involved in the travel agency business in Hong Kong operating under a trading name which includes a combination of characters which is phonetically similar to a word of our trade name since about October 2009. We considered that there was no material impact resulting from such incident on the Group's operations and reputation. At this stage, we do not consider it appropriate to take legal action against the said company. We will continue to closely monitor the matter. We may take appropriate legal action should there be any infringement of our intellectual property rights by the said company. Save as aforesaid, as at the Latest Practicable Date, we were not aware of any material violations or infringement of our intellectual property rights by any third parties. As at the Latest Practicable Date, no claims or disputes of material importance have been brought by us and there is no infringement action of material importance pending against us.

As at the Latest Practicable Date, our Group has registered eight trademarks with the relevant intellectual property authorities in Hong Kong, the PRC and Singapore. As at the Latest Practicable Date, we have filed ten trademark applications in Hong Kong. For details of our Group's registered trademarks, please refer to appendix V in this prospectus.

As at the Latest Practicable Date, the following domain names have been registered with Hong Kong Domain Name Registration Company Limited: [www.travelexpert.com.hk](http://www.travelexpert.com.hk); [www.travelexpert.hk](http://www.travelexpert.hk); [www.專業旅運.hk](http://www.專業旅運.hk); [www.expertonline.com.hk](http://www.expertonline.com.hk); [www.expertonline.hk](http://www.expertonline.hk); [www.travelexpertonline.com.hk](http://www.travelexpertonline.com.hk); and [www.tailormadeholidays.com.hk](http://www.tailormadeholidays.com.hk) together with the various combinations of the four Chinese characters in both traditional Chinese and simplified Chinese. Further information on our Group's intellectual property rights is set out in the "Statutory and General Information" section of this prospectus.

---

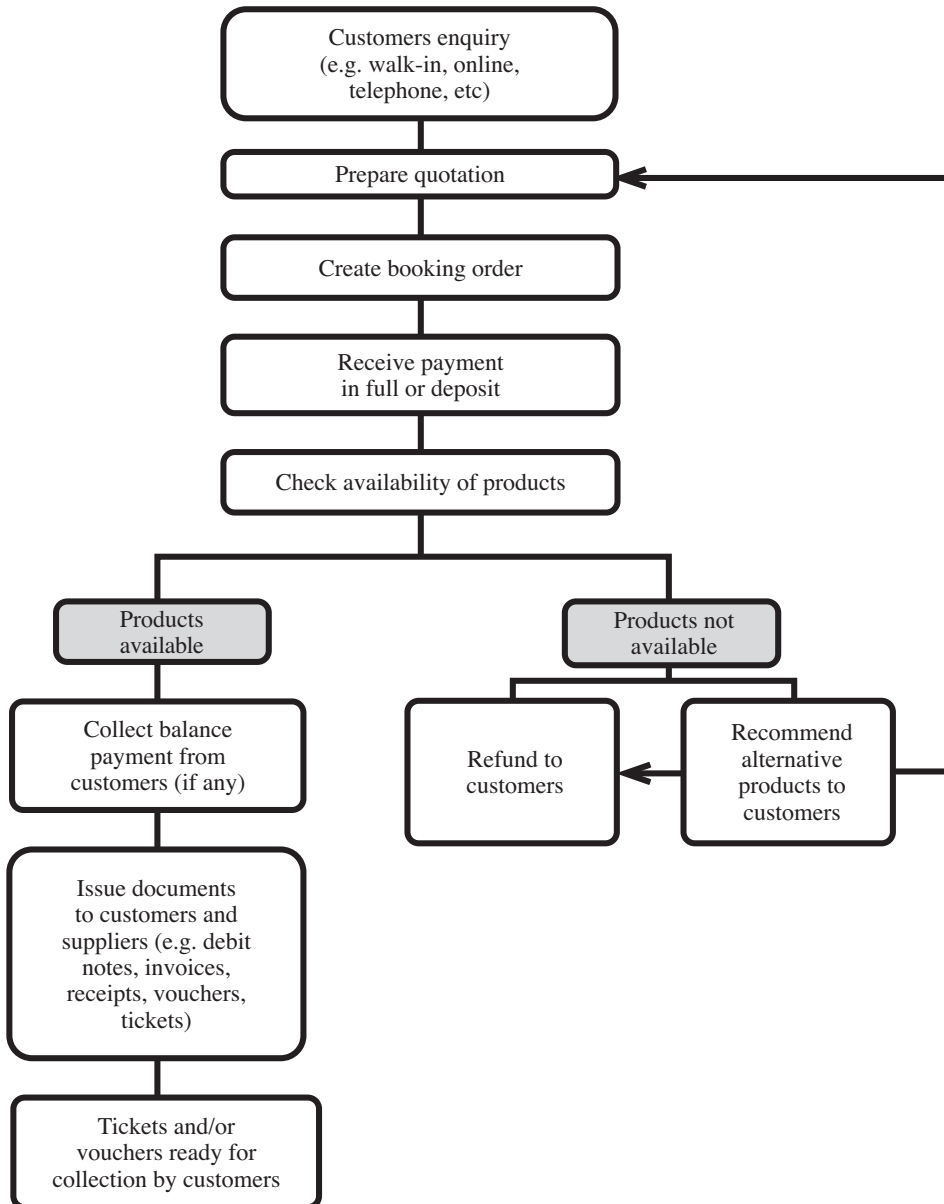
## BUSINESS

---

### BUSINESS PROCESS FLOW

Our Group's business processes are the principal responsibilities of our Sales Division, Product Development Division, Talent Management Division and Marketing Department.

The chart below sets out the business process flow in respect of our Group's retail sales:





---

## BUSINESS

---

### **Refund to customers**

Refund of deposits or full-payments made by our customers for our FIT packages may happen when the requested/booked products are not available at the specified date and price. Our Group's travel consultants would communicate with our customers of the non-availability of the requested/booked products and explore possible alternative products to satisfy the customers' needs. Some customers are willing to accept the alternative replacement FIT packages whilst some choose to have their payments refunded in which case our Group's travel consultants would proceed with the relevant procedures to request a refund cheque to be issued by our Accounts Department and delivered to the relevant branch for collection.

As set out in the "Government Regulations, Licences and Permits" section of this prospectus, TIC has issued Directive No. 166 relating to reservation of air-plus-hotel packages and the handling of refunds when TIC members are unable to provide such packages at the originally agreed price and by the relevant confirmation dates. If TIC members are unable to provide such packages at the originally agreed price and by the confirmation date, they shall refund the money paid by their customers within three working days without having to pay any compensation.

During the Reporting Period, one of the terms and conditions set out in our invoices to our customers include, in the event a travel arrangement is not confirmed by the customer after payment is made to our Group, the deposit or full-payment made will be refunded to our customers after four working days. Our Group adopted such guidelines having considered the practical time required to process a refund by our travel consultants, including to obtain approval from relevant supervisors, and the processing of required information in our operation system and the time it takes to deliver the refund cheque to the relevant branches for ease of collection by customers. Our Accounts Department would issue cheques centrally and distribute the cheques to the relevant branches for collection. Our Group could conceivably meet the three-day requirement as set out in TIC's Directive No. 166 should customers collect the cheques at our Accounts Department in Central, Hong Kong Island instead of incurring the additional time to deliver the cheques to the relevant branches. However, we would like to provide our customers with the convenience of going to the relevant nearby branches to complete the refund process instead of requiring them to go to our Accounts Department in Central, Hong Kong Island which may be inconvenient to our customers or even further delay the collection of refund by our customers. We decided to deviate slightly from the three-day requirement to better serve our customers' needs and to provide quality service and had no intention to deliberately delay the refund process. In order to comply strictly with the three-day requirement under TIC's Directive No. 166, we revised our refund process effective from 18 August 2011 to make the refund cheques available for collection at our Accounts Department in Central, Hong Kong Island on the third working day from the date customers request for a refund of money when their requested/booked FIT packages are unavailable. We would also be prepared to arrange delivery of the refund cheques to our branches subject to our customers agreeing to the additional time it may take. The terms and conditions set out in our invoices have been revised accordingly.

---

## BUSINESS

---

According to the Articles of Association of TIC, the Compliance Committee of TIC may impose any of the following penalties on a TIC member in the case of non-compliance with any directive issued by TIC:

- (1) terminating its membership; or
- (2) suspending its membership (for not more than two years); and/or
- (3) imposing a fine on it; and/or
- (4) requiring it to undertake to comply with the Articles of Association of TIC and the Codes of Conduct for Members; and/or
- (5) issuing a reprimand to it.

If a TIC member violates any TIC rules during any two-year period, then the Compliance Committee of TIC may fine it up to:

- (1) HK\$50,000 for its first violation,
- (2) HK\$100,000 for its second violation, and
- (3) HK\$200,000 for its third violation and any subsequent violations.

When deciding on the penalty to be imposed, the Compliance Committee of TIC will consider the following:

- (1) the severity of the case;
- (2) the history of violation of the member within the past two years;
- (3) whether it was an intended violation;
- (4) in the event the TIC member has admitted violation, whether the member has expressed regret, or adopted remedial measures; and
- (5) the explanations provided by the member.

The Compliance Committee of TIC may impose a fixed fine in cases of minor violations.

---

## BUSINESS

---

We have written to TIC to inform TIC that our previous refund procedures deviated from the three-day requirement under TIC's Directive No. 166. TIC confirmed to us in writing that:

- (1) Up to 17 August 2011, TIC has not received any non-compliance or complaint cases against our Group regarding the violation of Directive No. 166. Therefore, TIC cannot see our Group's former inconsistent practice with Directive No. 166 having any material impact on our Group's next TIC membership renewal; and
- (2) According to TIC's established practice, TIC only makes reference to its member's violation record for two preceding years when necessary. In the past two years, TEL has violated clause 8(7)(a) of the Memorandum and Articles of Association of TIC for failure to notify TIC of a change of shareholders or directors within 14 days of the change and a warning letter was issued to TEL on 23 April 2010. In general, such non-compliance case may not have any material impact on TEL's TIC membership renewal.

Our Directors consider TEL's non-compliance of clause 8(7)(a) of the Memorandum and Articles of Association of TIC for failure to apply to TIC for change of shareholders or directors within 14 days of the change to be immaterial in light of TIC's response as set out in TIC's letter dated 23 April 2010.

Our Hong Kong Legal Adviser has confirmed that save as disclosed in the sections headed "Business — Compliance and Litigation" and "Business — Business Process Flow — Refund to Customers" respectively of this prospectus, our Group has complied with all applicable laws and regulations of Hong Kong in all material aspects to maintain our Group's currently effective licences and permits.

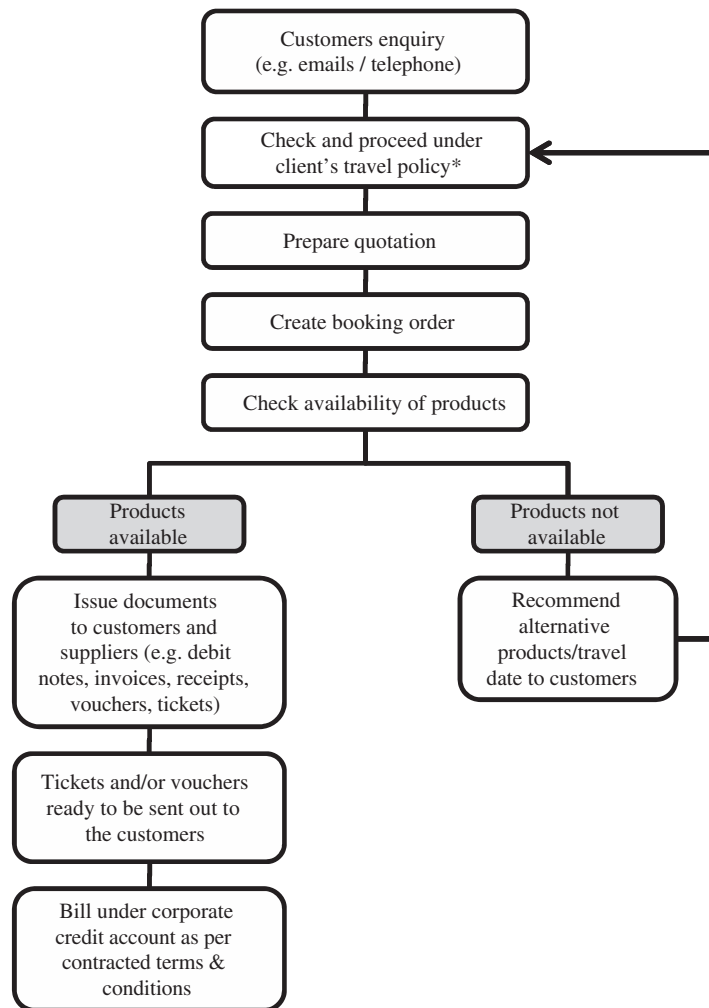
Based on our Directors' experience and TIC's written reply, our Directors consider that the deviation from Directive No. 166 is not likely to have a material impact on our Group's operations even if TIC fines our Group. The Sole Sponsor, having considered TIC's written reply, the potential penalties for non-compliance with any directive issued by TIC as set out in the Memorandum and Articles of Association of TIC, the Company's Hong Kong Legal Adviser's confirmation that our Group has complied with all applicable laws and regulations of Hong Kong in all material aspects to maintain our Group's currently effective licences and permits and our Directors' view as set out above, concurs with the Directors' view that our Group's past inconsistencies with the applicable TIC's Directives would not result in any material impact to our Group's operations as at the Latest Practicable Date.

---

## BUSINESS

---

The chart below sets out the business process flow in respect of our Group's corporate sales:



*Note:*

\* Client's travel policy is provided by the client according to their company's internal travel programme.

### Sales division

As at the Latest Practicable Date, our Sales Division consisted of approximately 360 staff who are our sales professionals. Our sales staff are provided with training on communication skills to understand customers' needs and on how to offer quality services with a view to achieving our Group's business targets and complementing our long-term development.

---

## BUSINESS

---

### **Product development division**

As the Latest Practicable Date, our Product Development division consisted of 45 staff. The principal responsibilities of our Product Development Division are developing FIT packages as well as supporting our Group's hotel operations and ticketing functions. We have introduced thematic optional activities including visits to tourist attractions, farm visits, hiking, skiing, snorkeling, scuba diving, rafting and ecological educational tours. We have expanded our cruise packages to cover worldwide routes. Our Product Development Division represents our principal contact point with airlines and hotels to facilitate completion of our sales process and monitors the supply of block seats and hotel allotments regularly. In addition, this division is responsible for providing our travel consultants with the most up-to-date travel related information including destination information and carrier policies via our Intranet system. This facilitates our travel consultants to provide quality information to assist our customers in deciding their travel plans.

### **Talent management division**

Our Talent Management Division is responsible for organising staff training programmes for both newly joined and existing staff. To enable our employees to enhance their knowledge of, and performance in, our Company's business and operation, we are committed to staff training and development. We have adopted an assessment scheme to systematically review and appraise the skills and knowledge development of our travel consultants. The assessment scheme provides an important reference for the management team to evaluate the performance and potential of our travel consultants.

### **Marketing department**

Our Marketing Department focuses on development of new marketing channels, media planning, management and execution of promotional campaigns, conducting market research and analysis of customers' needs so as to facilitate improvement of our service standards. It is also responsible for enhancing the market position of our Group, overseeing public relations and promotional initiatives, maintaining strong relationships with business partners and building the professional brand and corporate image of our Group.

### **COMPLAINTS HANDLING**

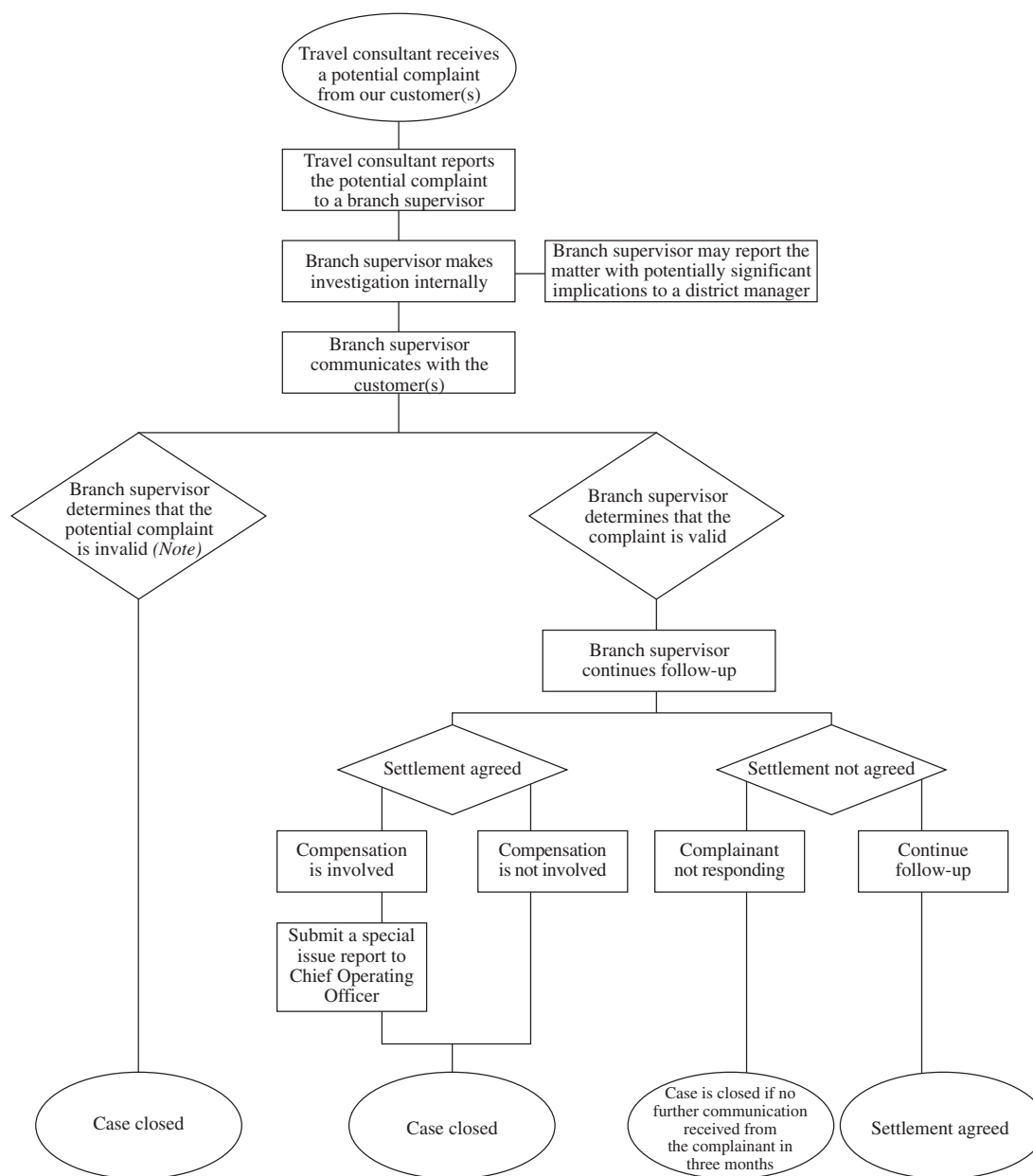
During each of the years ended 31 March 2009, 2010 and 2011, we received 48, 30 and 30 cases of complaints respectively from customers directly or via TIC and Consumer Council relating to service, pricing, product quality and handling charges, none of which our Directors expect would have any material adverse effect on our operations or financial conditions.

---

## BUSINESS

---

We set out below an illustrative process flow of our Group's procedures on handling complaints received from customers directly:



*Notes:*

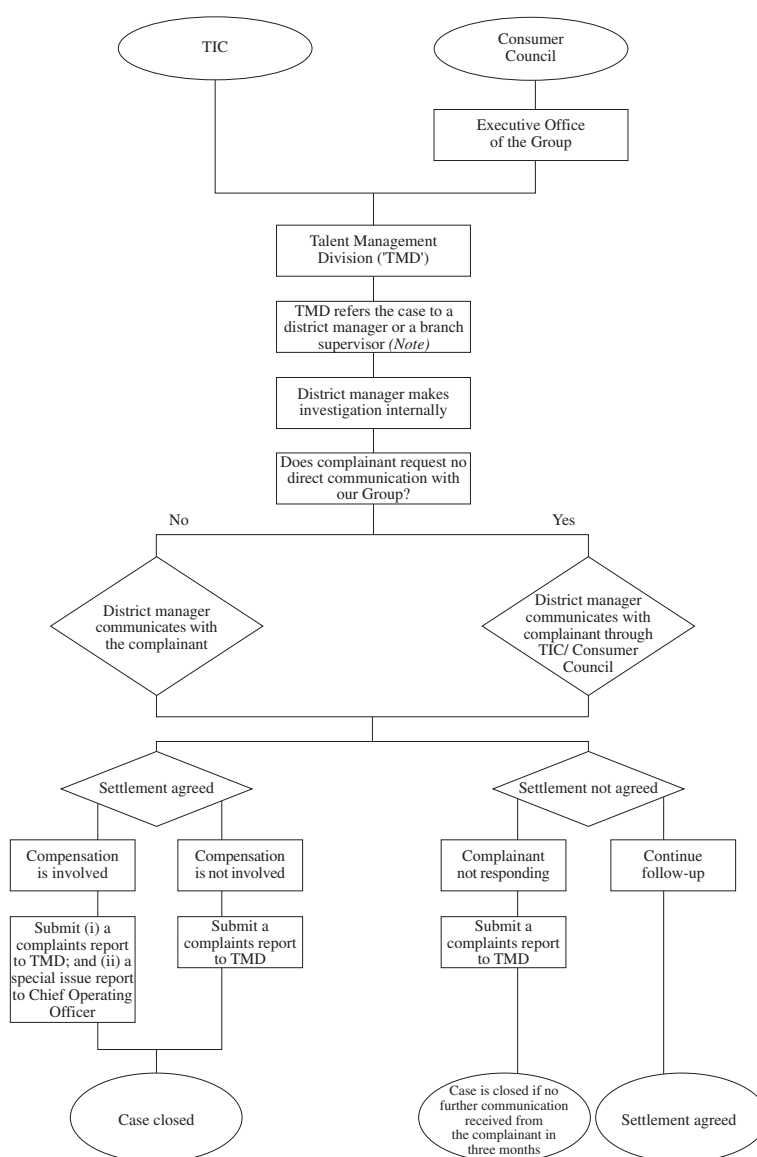
- When the customer is no longer dissatisfied with our Group's services after the branch supervisor clarifies the customer's queries and there is no further action to take on the matter, the branch supervisor should close the case.
- Our Group may compensate to the complainants an amount mutually agreed with the complainants.
- Certain complaints may also involve requests for refund of monies paid by the complainants to our Group. In the event that the requests are acceptable to the Group and/or the relevant suppliers (if applicable), we would process the refund and would normally waive any handling fees.

---

## BUSINESS

---

We set out below an illustrative process flow of our Group's procedures on handling customer complaints received through TIC and/or Consumer Council:



*Notes:*

- The district manager is required to submit a progress report to TMD within seven days from the date the complaint case is received from TIC and/or Consumer Council. The district manager is also required to submit a written response to TIC and/or Consumer Council within 21 days from the date of TIC's and/or Consumer Council's written request given to our Group.
- When the customer is no longer dissatisfied with our Group's services after the branch supervisor clarifies the customer's queries and there is no further action to take on the matter, the branch supervisor should close the case.
- Our Group may compensate to the complainants an amount mutually agreed with the complainants.



---

## BUSINESS

---

- Certain complaints may also involve requests for refund of monies paid by the complainants to our Group. In the event that the requests are acceptable to the Group and/or the relevant suppliers (if applicable), we would process the refund and would normally waive any handling fees.

During the year ended 31 March 2009, we paid compensations and refunds of approximately HK\$900 and HK\$70,000 respectively to complainants. During the year ended 31 March 2010, we did not pay any compensation to complainants but we made refunds of approximately HK\$60,000 to complainants. During the year ended 31 March 2011, we paid compensations and refunds of approximately HK\$1,500 and HK\$54,000 respectively to complainants.

### STAFF PURCHASE POLICY

Our Directors believe that our staff play an important role in the development of our business. As such, in order to help build staff loyalty, and attract and retain high-calibre employees, we have a staff purchase policy for our Directors, staff and their direct family members. Pursuant to our Group's staff purchase policy, eligible persons are entitled to purchase travel related products from our Group, such as air tickets and hotel accommodation, throughout the year at cost plus an administrative charge.

### 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. During the Reporting Period, our Group was not subject to any third parties' claim for harm and injury in relation to the travel arrangements and products sold to customers.

After due and careful enquiry, we are of the opinion that our Group has obtained and currently maintains all necessary permits and licences which are material to our business. The RTA had never refused to, imposed any uncommon conditions or revoked the travel agent licence of any members of our Group in the past. We have been advised by our Hong Kong Legal Adviser that we have obtained all requisite permits and licences from the relevant authorities to legitimately conduct our businesses and operations in Hong Kong and all such permits and licences continued to be valid as at the Latest Practicable Date.

We have inadvertently breached certain sections of the Companies Ordinance. The table below summarises the non-compliance with the requirements of the Companies Ordinance by our Group in the past three years.

## BUSINESS

### Non-compliance under Companies Ordinance

Item(s) of non-compliance	Name(s) of our Group company(ies)	Particulars of the non-compliance	Cause for the non-compliance	Remedial actions	Potential maximum penalty/fine	Statutory provisions made for any potential penalty/fine	Seriousness of Non-compliance incident
Non-compliance with section 140A(3) of the Companies Ordinance	TEL and TEOL	Late filing of notice of resignation of their auditors in 2009	During the material period, our Group companies did not have an internal company	Filings were made on 16 April 2010	Aggregate maximum fine of HK\$300,000	Section 140A(7) of the Companies Ordinance	No material impact on the operations or financial positions of the Group
Non-compliance with section 158(4) of the Companies Ordinance	TEBSL and TEOL	Late filing in relation to change of one director and/or secretary in 2009	secretarial department and qualified company secretary of relevant	Filings were made on 28 December 2009	Aggregate maximum fine of HK\$106,400	Section 158(8) of the Companies Ordinance	
Non-compliance with section 107 of the Companies Ordinance	TEEL	Incorrect information in 2009 and 2010 annual returns	working experience to deal with company secretarial matters and to comply with the	Amended annual returns were filed on 24 May 2010	Aggregate maximum fine of HK\$361,600	Section 109(4) of the Companies Ordinance	
Non-compliance with section 122 of the Companies Ordinance	TEEL, TEL, TEBSL, TECL and TEOL	Failure in laying the audited accounts at the annual general meetings within the prescribed time limit of 9 months from the relevant financial year end	Companies Ordinance.	An order was made by the Hong Kong Courts extending the time within which compliance should be made. Consequently, all relevant audited accounts were laid before general meetings of these Group companies in compliance with the extended time limit specified in the court orders	Not applicable	The Hong Kong Courts made an order dated 3 September 2010 to extend the time limit which compliance should be made and our Group has not received any notice of fines and/or penalties	

---

## BUSINESS

---

Our Controlling Shareholders have entered into a Deed of Indemnity whereby the Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities which may arise as a result of any non-compliance of our Group on or before the date on which the Share Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed “Tax and other indemnities” in appendix V to this prospectus.

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 of 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.

### **Non-compliance with TIC’s Articles of Association**

TEL has also inadvertently breached Clause 8(7)(a) of the Articles of Association of TIC for failure to notify TIC of a change of shareholders or directors within 14 days of the change. Such breach related to the appointment of Mr. Ko, Mr. Cheung and Ms. Ho to the board of directors of TEL with effect from 18 November 2009 and the resignation of Ms. Chang as a director of TEL with effect from 27 November 2009, all of which were notified by TEL to TIC on 9 March 2010. A warning letter was issued by TIC to TEL on 23 April 2010.

TIC has written to TEL and confirmed that such non-compliance case may not have any material impact on TEL’s TIC membership renewal.

Other than the remedial actions as mentioned above, we have implemented specific internal control measures to prevent the future occurrence of the above non-compliances, and have taken or will take steps to incorporate corporate governance practices to ensure compliance with the various applicable rules and regulations, as set out below.

---

## BUSINESS

---

### Actions to ensure future compliance

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 the following steps to ensure compliance with applicable laws, rules and regulations:

1. Prior to the Listing Date, our Directors received and reviewed a detailed memorandum prepared by our Hong Kong Legal Adviser setting out the requisite on-going Listing Rules and general Hong Kong company law requirements and obligations of our Directors after Listing.
2. Prior to the Listing Date, our Directors attended the training sessions conducted by our Hong Kong Legal Adviser on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
3. We have employed a company secretary who is an associate of both the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries. She has over 15 years of experience in company secretarial functions in various companies including listed companies and is responsible for the day-to-day compliance matters of our Group. The company secretary has access to external professionals retained by our Group from time to time, including the compliance adviser, external legal counsel, auditors and other advisers as necessary and reports the compliance matters directly to the Board on a quarterly basis.
4. Our Directors have implemented certain compliance guidelines and procedures which cover our Company's legal, operational and business requirements which includes setting up of the Company Secretarial Department which is responsible for the day-to-day compliance matters of our Group. The Company Secretarial Department is headed by the Company Secretary. In the event an employee has a compliance-related question, he should direct such question to and seek guidance from his supervisor or department head, who shall communicate the enquiry to our Company Secretarial Department. In addition to the above, we have, in consultation with our Hong Kong Legal Adviser, prepared a compliance manual to provide specific guidance to our staff in ensuring compliance with the Companies Ordinance. The Sole Sponsor is of the view that the aforesaid measures adopted by our Group will provide a stronger basis for ensuring ongoing compliance with the relevant rules and regulations under the Companies Ordinance.
5. We will review TIC directives on a monthly basis by including the review as a regular item of the meeting of functional departments held each month. At the meeting, the management will consider whether TIC directives are applicable to us and if applicable, evaluate the impact, review the operation procedure and formalities as to due compliance and decide the implementation of the relevant directives.

Our Directors believe that the above measures will enable our Group to strengthen its control environment both at the working level and at the monitoring level based upon which the Sole Sponsor considers that these measures should be adequate and effective to ensure our Group's ongoing compliance with the relevant rules and regulations in Hong Kong.

---

## BUSINESS

---

### **Litigation**

During the Reporting Period and as at the Latest Practicable Date, we were not involved in any material litigation.

### **Tenancy Agreements**

As at the Latest Practicable Date, our Group operated more than 50 retail shops in premises all of which were rented. The rent and rates expenses in respect of our retail shops for each of the years ended 31 March 2009, 2010 and 2011 amounted to approximately HK\$22.9 million, HK\$24.6 million and HK\$29.2 million respectively. As at the Latest Practicable Date, 11 of our retail shops were leased by TEOL or TECL but were used by TEL. For those tenancy agreements containing a non alienation clause, the use of these premises by TEL is technically a breach of the tenancy agreements. As at the Latest Practicable Date, TEL was allowed to use the premises in respect of five of these tenancy agreements, expiring on 26 September 2011, 31 March 2012, 14 May 2012, 31 August 2012 and 1 September 2012. Our Group has not obtained consent from the landlords in respect of the remaining six tenancy agreements. Out of these six tenancy agreements which our Group has not obtained the relevant consent, two have expired on 31 August 2011 (our Group and the respective landlords have agreed to renew these tenancies for a further term of two years with TEL as the tenant pending formal tenancy agreements to be executed), one will expire on 30 September 2011, one on 31 October 2011, one on 31 December 2011, and the remaining one on 15 February 2012. So far, we have not received any notice from the landlords of the said six properties terminating the tenancy agreements for breach of these tenancy agreements. Moreover, should our Group be required to discontinue the use of the premises in respect of these six tenancy agreements, our Group will relocate to other premises and we consider that it will not be difficult for us to find alternative premises. If our Group is required to relocate from those premises which it has not obtained consent from the landlords for TEL's use, our Group may have to write off assets of carrying amount at approximately HK\$73,000 as at 31 March 2011 and estimates that it may take about three months to complete the required relocation.

During the Reporting Period, there are certain tenancy agreements entered into by our Group which were not stamped timely in accordance with the Stamp Duty Ordinance. By 1 November 2010, we have arranged for all these unstamped tenancy agreements to be stamped and paid for the penalty. The total amount of penalty paid in respect of these agreements was approximately HK\$26,100. All tenancy agreements entered into by us during the Reporting Period have been stamped. Pursuant to the Deed of Indemnity, the Controlling Shareholders have undertaken to indemnify our Group for any liabilities arising from any default, failure or delay to stamp the tenancy agreements in accordance with the Stamp Duty Ordinance. Besides the remedial actions taken above, we have designated our Company Secretary to oversee the stamping of all new tenancy agreements or renewal agreements to prevent future occurrence of the above non-compliances.

### **CREDIT CONTROL**

Our Group's customers consist of retail and corporate customers. Retail customers are normally not provided with credit terms whilst corporate customers are normally granted credit terms of up to 30 days. Our Group has endeavoured to exercise tight credit control. Our Group's finance and

---

## BUSINESS

---

accounting department reviews the credit terms for each existing and prospective corporate customer. The settlement and credit terms granted to corporate customers are determined with reference to, among other things, (i) the length of the business relationship with our Group; (ii) the payment history of the customer; and (iii) the financial strength and creditability of the corporate customer. In respect of new corporate customers, we will normally assess their credit worthiness by conducting company searches and site visits to the prospective corporate customer's business premises. We do not require any deposits to be placed or any advance payments to be made to our Group prior to granting any credit terms to our corporate customers.

We monitor closely our outstanding trade receivables and issue written reminders to follow-up with our customers. If our Group cannot recover an outstanding trade receivable after liaison with the relevant customer, we may request our solicitors to issue a legal demand letter to such customer as and when appropriate. Under certain circumstances, our Group may consider taking legal action to recover any outstanding trade receivables.

During the Reporting Period, the majority of our customers were retail customers, contributing to over 90% of our gross sales proceeds. However, going forward, we plan to further develop the corporate sales segment which would strengthen our Group's revenue base.

Our Group's trade receivables as at 31 March 2009, 2010 and 2011 were approximately HK\$7.7 million, HK\$8.3 million and HK\$5.3 million respectively.

During the years ended 31 March 2009, 2010 and 2011, our Group recognised impairment loss of approximately HK\$36,000, HK\$23,000 and Nil respectively, representing approximately 0.004%, 0.002% and Nil respectively of our Group's gross sales proceeds and approximately 0.05%, 0.03% and Nil respectively of our Group's corporate sales, which indicates that our Group's credit control policy is effective. However, in view of our plans to develop the corporate sales segment, as highlighted in the "Risk factors" section of this prospectus, our Group's exposure to credit risks in respect of corporate customers may increase. Nevertheless, we will continue to exercise tight credit screening and credit control with a view to minimising our Group's exposure to the possibility of an increase in credit risks.

### CASH CONTROL POLICY

All cash proceeds must be delivered to the respective branch managers who are responsible for keeping such cash in the safe. The cash proceeds must be banked in on the next banking day and a copy of the bank-in slip must be provided to the finance and accounting department by 2:30 p.m. on the bank-in date. The accounts receivable team of our finance and accounting department is responsible for ensuring compliance to our Group's cash control policy and is tasked with checking that the copy of the bank-in slips is received timely and the amounts recorded in the bank-in slips agree with that recorded in our Group's operations system. All non-compliance cases are recorded and submitted to the Chief Operating Officer and the district managers on a monthly basis for monitoring and follow-up.

---

## BUSINESS

---

During the three years ended 31 March 2011, approximately 30.1%, 24.8% and 14.7% respectively of our gross sales proceeds were cash sales. There were no incidents of cash misappropriation reported during the Reporting Period.

### COMPETITION

Competition levels in the travel agent industry are extremely high both in Hong Kong and other developed markets. The number of travel agents in Hong Kong has been gradually increasing over time, which in turn, results in increasing price and service competition in the sector. According to the TAR, as at 30 June 2011, there were approximately 1,572 licensed travel agents operating within the travel industry in Hong Kong. Furthermore, technology has provided another form of competition where consumers can book their own travel tickets and other travel related requirements over the Internet.

Despite the intense competition, our Directors are of the view that our Group is able to maintain its competitive strengths and will sustain and develop our business by being a market leader in providing new and innovative holiday solutions to satisfy our demanding and seasoned travellers as well as providing quality service to our customers. Our Group maintains its awareness of the travel market, and keeps abreast of the latest development in travel industry technologies. Our Group endeavours to continue to enhance its level of services and ensure that our customers are provided with all necessary information and are offered with various value-added travel options. Our Directors believe that our Group's commitment to assisting our customers to enjoy independence and freedom when travelling and our quality service will differentiate us from other travel agents within the industry. Please refer to "Business — Competitive Strengths" for further details.

### 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

---

## BUSINESS

---

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

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.

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 Blue Cross (Asia — Pacific) Insurance Limited Chartis Insurance Hong Kong Limited	23 June 2010 23 November 2007 19 October 2006	19 October 2012
TECL	ACE Insurance Limited Blue Cross (Asia — Pacific) Insurance Limited Chartis Insurance Hong Kong Limited	11 April 2011 11 April 2011 11 April 2011	11 April 2014
TEBSL	ACE Insurance Limited	1 September 2011	1 September 2014

### IATA ACCREDITATION

In order to maintain our IATA accreditation, we have to satisfy the following criteria and qualification stipulated under the Travel Agent's Handbook issued by the IATA.



---

## BUSINESS

---

The applicant must demonstrate and/or provide evidence of compliance in respect of the following:

### **Registration/Licence**

The applicant's business entity and/or its owners and managers must have the requisite official registration and/or licence to trade and offer travel agency services, as prescribed by applicable law.

### **Staff**

The applicant must have in its employment competent and qualified staff able to sell international air transportation and correctly issue electronic travel documents and report these to the billing and settlement plan.

### **Finances**

The financial stability of the applicant is assessed in relation to the funds at risk, taking into account net equity, net current assets compared to the net cash sales of an average prescribed reporting and remitting period. Such evaluation shall be in accordance with established local criteria, as adopted by the Conference and as recommended by the agency programme joint council, and published in the Travel Agent's Handbook.

The applicant must provide accounts showing a satisfactory financial standing and ability to remain solvent and pay bills. The applicant shall submit independently produced financial statements prepared in accordance with local accounting practices.

To obtain a satisfactory evaluation, the applicant may be required to provide further information or additional financial support in the form of re-capitalisation, and/or bank or insurance bonds or guarantees to cover the funds at risk.

### **Branch Locations in Other Countries**

An applicant that opens branch locations in a country, that is different from where the head office legal entity is located, will be assessed against the financial criteria established for the country of the branch location. In such event the agent will be required to submit the financial documents of the head office legal entity. Where the agent is unable to meet the applicable local criteria of the country of the branch location, it shall be required to furnish additional security in the form of a bank or insurance bond or guarantee to cover the funds at risk for that location.

### **Premises**

The applicant shall be identified as a place of business for a travel agency in accordance with applicable laws.

The agency and/or place of business shall not be identified, or represent itself, as an office of an airline or group of airlines, nor have a name the same as that of a member of IATA, or of IATA.

---

## BUSINESS

---

The location where business is conducted shall not be in office space jointly occupied with an airline or an airline's general sales agent. Where a location is jointly occupied with another Travel agency, each agent shall be responsible to report its sales under its separate IATA numeric code and be responsible to secure its separately allocated manual standard traffic documents.

### **Trading History**

No person who is a director of, or who holds a financial interest or a position of management in the applicant, shall have been a director of, or had a financial interest, or held a position of management in an agent which has been removed from the agency list or is under notice of default and still has outstanding commercial debts;

The applicant may nevertheless be approved if the agency services manager is satisfied that such person was not responsible for the acts or omissions that caused such removal or default and is satisfied that the applicant can be relied upon to comply with the terms of the sales agency agreement, these rules and other resolutions of the conference;

The applicant shall not trade as a general sales agent for any air carrier in the country where it is established.

### **Security**

An applicant shall undertake to provide sufficient protection for its business, and for the supply of industry standard traffic documents in its possession, in accordance with the relevant provisions.

The applicant shall have, at the place of business under application, the facility to issue on behalf of members/airlines participating in the billing and settlement plan, standard traffic documents through the use of an approved electronic ticketing system.

An agent is required to safeguard manual standard traffic documents in its possession by storing them in a lockable steel cabinet when not in use. An agent that does not use manual standard traffic documents is recommended to take all necessary precautions to protect its business and business applications but is not required to maintain any lockable device.

During the Reporting Period and as at the Latest Practicable Date, we have satisfactorily complied with the above criteria and qualification stipulated under the Travel Agent's Handbook issued by IATA for maintaining our IATA accreditation.

---

## BUSINESS

---

### ACHIEVEMENTS AND AWARDS

In recognising our Group's outstanding sales achievements, numerous international airlines, hotel chains, land agents and tourism boards awarded us with honours over the years. The following awards illustrate that we are backed with strong partnerships and are capable to find the best rates for all our clients.

<b>Awards</b>	<b>Awarded by</b>
Top Agent Award 2004-2010	Cathay Pacific Airways Limited
Top Agent Award 2006-2010	Hong Kong Dragon Airlines Co., Ltd.
Top FIT Agent Award (H.K.) 2008/2009, 2010	China Eastern Airlines Corporation Limited
Top Agent Award 2008/2009	Hong Kong Express Airways Limited/ Hong Kong Airlines Limited
Best Performance 2009-2010	Hong Kong Express Airways Limited/ Hong Kong Airlines Limited
Gold Award 2003-2005	Malaysia Airlines
Top Performance Award 2006-2009	Malaysia Airlines
Top Agency Award 2010	Asiana Airlines
Top Agent Award 2006/2007	American Airlines, Inc.
Citation of Excellence 2009	Korean Air Lines Co., Ltd.
Top Agency Award 2001, 2003-2009	Abacus Distribution Systems (Hong Kong) Ltd.
Top Agency Award 2007, 2010 3rd Placing	Abacus Distribution Systems (Hong Kong) Ltd.
Top Agency Insurance Award 2007	Abacus Distribution Systems (Hong Kong) Ltd.
最佳2010年銷售大獎	Charming Holidays Ltd.
Top Agency Award 2005, 2006, 2008, 2009	Kuoni Travel
Top Agents Award 2006-2008, 2010	Gullivers Travel Associates (Hong Kong) Ltd.
Top Agent Award 2004-2010	Jetour Holiday (China) Ltd.
Excellent performance and service quality 2006-2007	American International Group, Inc.
Excellent performance 2009-2010	Chartis Insurance Hong Kong Ltd.
Friends of Thailand Award 2002	Tourism Authority of Thailand
旅遊台灣合作獎 2008-2009	台灣觀光協會香港辦事處
Tourism Malaysia Hong Kong 2006	Malaysia Tourism Promotion Board
Friends of Malaysia 2010	Malaysia Tourism Promotion Board
Top Selling Agent Award 2010	Club Méditerranée (Club Med) Hong Kong Ltd.
Top Sales Agency 2009-2010	Six Senses Resort & Spas
最強人氣品牌大獎2009-2010	TVB Weekly

---

## BUSINESS

---

### INSURANCE

We maintain various insurance policies for our Group relating to our office premises, electronic equipment, travel responsibility and travel assurance, as well as for our employees. The coverage of these insurance policies includes losses or damages to our office and electronic equipment, public liabilities, business interruption, loss of travel fees and costs and travel liability in respect of our employees' business trips and familiarisation trips, medical benefits for our employees and employees' compensation and liability.

Our Group has purchased property all risks insurance, business interruption insurance, employees' compensation, public liability insurance, medical insurance for our employees and travel insurance for our employees.

Our Directors believe that the insurance policy specifications and insured limits of our Group are in line with the normal industry practice in Hong Kong and the existing insurance coverage is adequate for our Group's operation. Our Directors confirm that, during the Reporting Period, our Group was not subject to any material claims or liabilities arising from any accidents relating to its operations and did not have any major interruption to its operations.

### PROPERTIES

As at the Latest Practicable Date, we operated our retail shops and offices through 58 leased/licensed properties in Hong Kong and the PRC. Please refer to appendix III to this prospectus for further details of our leased properties.

TEOL entered into a provisional agreement on sales and purchase on 25 March 2011 to purchase from an independent third party the whole of 9/F, Kowloon Plaza, No. 485 Castle Peak Road, Kowloon at a consideration of HK\$43 million which was settled partly out of internal funds and partly by mortgage loan. On 17 May 2011, TEOL nominated CGL to take up, inter alia, the Assignment of the property and vest all the estate right title benefit of and in the property to CGL. The acquisition of this property was completed on 29 July 2011. We plan to centralise our headquarter and support functions in this premises.

### LABOUR AND SAFETY MATTERS

Our Directors regard labour and safety matters as important social responsibility issues for our Group.

Accordingly, our Group will continue to dedicate adequate resources and effort to uphold and improve our Group's safety management system in order to reduce the risks relating to labour safety issues. Our Group's senior management will closely supervise the compliance of the applicable laws relating to labour and safety by our Group. Our Directors believe that these measures are adequate in addressing potential future risks associated with occupational health and safety matters relating to employees of our Group. During the Reporting Period, save as disclosed below, there has not been any material labour disputes and non-compliance of safety records reported by our Group.

---

## BUSINESS

---

Set out below are the labour disputes with four ex-employees of TEL:

- (i) In July 2010, Ms. Chue, Wing Man, an ex-employee of TEL, lodged a claim with the Labour Tribunal against TEL for wages in lieu of notice and severance pay in the sum of HK\$60,278 after termination of employment by TEL. It was awarded by the Labour Tribunal that TEL pay HK\$7,371.50 on or before 10 August 2010 to settle all the claims of Ms. Chue. TEL has paid HK\$7,371.50 to Ms. Chue in compliance with the award.
- (ii) In June 2010, Mr. Tso, Kwok Kei George, an ex-employee of TEL, lodged a claim with the Labour Tribunal against TEL for wages in lieu of notice and severance pay in the sum of HK\$58,010.97 after termination of employment by TEL. It was awarded by the Labour Tribunal that TEL pay HK\$11,000 on or before 2 July 2010 to settle all the claims of Mr. Tso. TEL has paid HK\$11,000 to Mr. Tso in compliance with the award.
- (iii) In July 2009, Mr. Ting, Chi Hong, an ex-employee of TEL, lodged a claim with the Labour Tribunal against TEL for wages in lieu of notice in the sum of HK\$13,903.25 after termination of employment by TEL. Subsequently, Mr. Ting withdrew his claim.
- (iv) In January 2009, Mr. To, Cheuk Pan, an ex-employee of TEL, lodged claims with the District Court against TEL for damages in connection with two accidents occurred at work. The first accident occurred in January 2007, Mr. To being responsible for general work was instructed to transport a photocopying machine, 3 large plastic bags of goods and a number of A4 size boxes of goods to our branch office at Wanchai by a van. In Wanchai, when he was pulling one of the large plastic bags from the car-boot, he sustained injuries to his left shoulder. Further, in January 2008, he was instructed to transport some office furniture to our branch office at Lai Chi Kok MTR station. When he was carrying the furniture from the ground to the Lai Chi Kok branch office, he sustained further injuries to his left shoulder. His claims were settled by payment of HK\$60,480.26 by our employee compensation insurer in June 2009.

We have adopted written guidelines on delivery of documents and goods, and work safety matters for staff. According to our guidelines on delivery of documents and goods, our staff is required to notify our Administration Section to enlist the assistance of a transportation company when moving heavy and/or large objects.

Our Group maintains various insurance policies which cover, among other things, medical benefits for our employees and employees' compensation and liability.

Save as disclosed above, as at the Latest Practicable Date, our Group has not been involved in any labour disputes or litigation, claim, administrative action or arbitration relating to labour disputes of material importance.