

YING HAI GROUP HOLDINGS COMPANY LIMITED

瀛海集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8668

SHARE OFFER

Sole Sponsor



Sole Bookrunner and Joint Lead Manager



Joint Lead Manager



IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Ying Hai Group Holdings Company Limited 羸海集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 300,000,000 Shares
Number of Placing Shares : 270,000,000 Shares (subject to reallocation)
Number of Public Offer Shares : 30,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.24 per Offer Share and expected to be not less than HK\$0.20 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 each
Stock code : 8668

Sole Sponsor



Sole Bookrunner and Joint Lead Manager



Joint Lead Manager



Co-Managers



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

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

The Offer Price is expected to be determined by agreement between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Wednesday, 18 September 2019 and in any event not later than Tuesday, 24 September 2019. The Offer Price will not be more than HK\$0.24 per Offer Share and is currently expected to be not less than HK\$0.20 per Offer Share, unless otherwise announced. If, for any reason, our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by Tuesday, 24 September 2019, the Share Offer will not proceed and will lapse immediately.

The Sole Bookrunner (for itself and on behalf of the Underwriters), with our Company's consent, may reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time prior to the Price Determination Date, which is expected to be on or around Wednesday, 18 September 2019. In such a case, a notice of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on website of our Company at www.yinghaiholding.com and the website of the Stock Exchange at www.hkexnews.hk, not later than the Price Determination Date, which is expected to be on or around Wednesday, 18 September 2019.

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

Prospective investors of the Share Offer should note that the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Underwriters) is entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company, upon the occurrence of any of the events set forth under the paragraph headed "Underwriting — Underwriting arrangements and expenses — Public Offer — Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

13 September 2019

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Share Offer, we will issue a separate announcement in Hong Kong to be posted on the website of our Company at www.yinghaiholding.com and the website of the Stock Exchange at www.hkexnews.hk.

Date ⁽¹⁾

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on Friday, 13 September 2019

Application lists for Public Offer open⁽²⁾ 11:45 a.m. on Wednesday, 18 September 2019

Latest time to lodge **WHITE** and **YELLOW** Application

Forms and give **electronic application instructions** to

HKSCC ⁽³⁾ 12:00 noon on Wednesday,
18 September 2019

Application lists for Public Offer close⁽²⁾ 12:00 noon on Wednesday, 18 September 2019

Expected Price Determination Date⁽⁴⁾ Wednesday, 18 September 2019

Announcement of:

- the final Offer Price;
- the level of indications of interest in the Placing;
- the level of applications in the Public Offer; and
- the basis of allocation of the Public Offer Shares,

to be published on the website of our Company at

www.yinghaiholding.com and the website of the Stock

Exchange at www.hkexnews.hk ⁽⁵⁾ on or before Wednesday, 25 September 2019

Announcement of results of allotment under the Public Offer

(with successful applicants' identification document numbers,
where applicable) to be available through a variety of
channels as described in the section headed "How to apply for
the Public Offer Shares — 10. Publication of results" in this

prospectus from Wednesday, 25 September 2019

Despatch/collection of Share certificates or deposit of the Share
certificates into CCASS in respect of wholly or partially
successful applications pursuant to the Public Offer on or

before⁽⁶⁾⁽⁷⁾ Wednesday, 25 September 2019

Despatch/collection of refund cheques in respect of wholly or
partially successful applications if the final Offer Price is less
than the price payable on application and wholly or partially
unsuccessful applications pursuant to the Public Offer on or

before⁽⁷⁾⁽⁸⁾ Wednesday, 25 September 2019

Dealings in our Shares on GEM expected to commence at 9:00

a.m. on Thursday, 26 September 2019

EXPECTED TIMETABLE

Notes:

1. All times and dates refer to Hong Kong local times and dates, unless otherwise stated.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 18 September 2019, the application lists will not open on that day. Particulars of the arrangements are set forth under the section headed “How to apply for the Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed “How to apply for the Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Wednesday, 18 September 2019 and, in any event, not later than Tuesday, 24 September 2019. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) by Tuesday, 24 September 2019, the Share Offer will not proceed and will lapse immediately.
5. None of the websites or any of the information contained on the websites forms part of this prospectus.
6. Share certificates for the Public Offer Shares are expected to be issued on or about Wednesday, 25 September 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, 26 September 2019 provided that the Share Offer has become unconditional in all aspects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.
7. Applicants who apply on **WHITE** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates (where applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 25 September 2019 or such other date as notified by our Company. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares and have provided all information required by the Application Form may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Public Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to apply for the Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies — Personal collection — (iii) If you apply by giving electronic application instructions to HKSCC via CCASS” in this prospectus for details.

Applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ risk, to the addresses specified in the relevant applications. Further information is set out in the sections headed “How to apply for the Public Offer Shares — 12. Refund of application monies” and “How to apply for the Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies” in this prospectus.

EXPECTED TIMETABLE

8. Refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

The above expected timetable is a summary only. For details of the structure of the Share Offer, please refer to the sections headed “Structure and conditions of the Share Offer” and “How to apply for the Public Offer Shares” in this prospectus, respectively.

CONTENTS

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

You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied upon by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters, any of their respective directors or any other person or party involved in the Share Offer.

	<i>Page</i>
CHARACTERISTICS OF GEM	i
EXPECTED TIMETABLE	ii
CONTENTS	v
SUMMARY	1
DEFINITIONS	17
GLOSSARY OF TECHNICAL TERMS	28
FORWARD-LOOKING STATEMENTS	29
RISK FACTORS	30
INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER	47
DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER	51
CORPORATE INFORMATION	54
INDUSTRY OVERVIEW	56
REGULATIONS	71
HISTORY, DEVELOPMENT AND REORGANISATION	82
BUSINESS	94
FINANCIAL INFORMATION	156

CONTENTS

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	204
SHARE CAPITAL	207
SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS	210
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	212
FUTURE PLANS AND USE OF PROCEEDS	223
UNDERWRITING	235
STRUCTURE AND CONDITIONS OF THE SHARE OFFER	246
HOW TO APPLY FOR THE PUBLIC OFFER SHARES	252
APPENDIX I — ACCOUNTANTS' REPORT	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION	V-1

SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of technical terms” in this prospectus.

We are primarily a wholesale licensed travel agent that focuses on the provision of business-to-business domestic travel services and a car rental services provider based in Macau. We derive our revenue from (i) sales and distribution of hotel rooms; (ii) provision of car rental services under (a) our travel agent licence in Macau which allows us to provide car rental services for tourism-purpose only; and (b) authorisation granted by the MGTO which allows us to provide Multi-purpose Car Rental Services in Macau; and (iii) sales and provision of air tickets and other ancillary travel-related products and services such as entertainment tickets, buffet tickets, transportation tickets, travel insurance and visa applications.

For FY2017, FY2018 and 4M2019, we sold and distributed approximately 124,000, 151,000 and 52,000 hotel rooms of over 40, 40 and 35 hotels in Macau, respectively, to accommodate the needs of various types of customer. Among the hotel rooms we sold and distributed during the Track Record Period, we sold and distributed approximately 52,000, 63,000 and 19,000 hotel rooms of L’Arc Hotel Macau.

In view of the market opportunities of and demand from visitors for car rental services as a result of a lack of comprehensive public transportation infrastructure that connects different parts of the city and bus overcrowding in Macau, our Group commenced to provide tourism-purpose car rental services in 2015, which is operated under our travel agent licence in Macau and must be provided for tourism-purpose only. In November 2017, our Group obtained an authorisation granted by the MGTO, which permits us to provide Multi-purpose Car Rental Services in Macau and thus we have extended our scope of car rental services since May 2018. Moreover, our Group has been granted three out of 40 permits by the Transport Bureau of Macau, each of which allows one vehicle to cross the HZMB. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services. We have been liaising closely with different government authorities in Hong Kong in relation to the application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services in the fourth quarter of 2019.

Our Group recorded revenue (excluding the revenue generated from the Multi-purpose Car Rental Services) of approximately HK\$117.6 million and HK\$160.3 million for FY2017 and FY2018, respectively, accounting for a market share of approximately 1.5% and 1.9% to the total revenue of the travel agent industry in Macau for FY2017 and FY2018, respectively. In respect of the sales and distribution of hotel rooms in Macau, our Group accounted for a market share of approximately 0.9% and 1.1% in terms of number of hotel rooms in Macau distributed and sold for FY2017 and FY2018, respectively. According to the Ipsos Report, the travel agent industry in Macau was fragmented with 227 market players as at 30 June 2019.

For FY2017, FY2018 and 4M2019, our total revenue amounted to approximately HK\$117.6 million, HK\$165.7 million and HK\$62.2 million, respectively. The increase in total revenue was mainly due to the increase in revenue generated from the sales and distribution of hotel rooms, which accounted for approximately 94.8%, 94.0% and 92.4% of our total revenue for FY2017, FY2018 and 4M2019, respectively. Revenue generated from the provision of car rental services also increased by approximately HK\$3.6 million from approximately HK\$5.0 million for FY2017 to approximately HK\$8.6 million for FY2018. For 4M2019, revenue generated from the provision of car rental services amounted to approximately HK\$4.3 million, representing an increase of approximately HK\$2.7 million from approximately HK\$1.6 million for 4M2018. Such increase was mainly due to (i) the commencement of our Multi-purpose Car Rental Services in May 2018 pursuant to the authorisation granted by MGTO to us; and (ii) the increase in the number of our vehicles for FY2018 and 4M2019 comparing to FY2017 and 4M2018, respectively. For detailed analysis of our revenue, please refer to the paragraph headed “Financial information — Description of certain consolidated statements of profit or loss and other comprehensive income items — Revenue” in this prospectus.

SUMMARY

The following table sets forth the breakdown of our revenue, gross profit and gross profit margins by operating segments during the Track Record Period:

	FY2017			FY2018			4M2018			4M2019		
	Revenue	Gross profit (Note 4)	Gross profit margin (Note 4)	Revenue	Gross Profit (Note 4)	Gross profit margin (Note 4)	Revenue	Gross Profit (Note 4)	Gross profit margin (Note 4)	Revenue	Gross profit (Note 4)	Gross profit margin (Note 4)
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
Sales and distribution of hotel rooms (Note 1)	111,451	24,121	21.6	155,670	30,275	19.4	51,114	10,976	21.5	57,427	11,501	20.0
Provision of car rental services (Note 2)	4,980	1,358	27.3	8,585	2,900	33.8	1,615	586	36.3	4,281	1,572	36.7
Sales and provision of air tickets and other ancillary travel-related products and services (Note 3)	1,197	1,197	100.0	1,407	1,407	100.0	536	536	100.0	449	449	100.0
Total	117,628	26,676	22.7	165,662	34,582	20.8	53,265	12,098	22.7	62,157	13,522	21.8

Notes:

- These amounts included (i) revenue generated from the sales and distribution of hotel rooms as principal amounting to approximately HK\$109.0 million, HK\$153.9 million, HK\$50.5 million and HK\$57.0 million for FY2017, FY2018, 4M2018 and 4M2019, respectively, which were presented on gross basis; and (ii) margin income generated from sales and distribution of hotel rooms as agents amounting to approximately HK\$2.4 million, HK\$1.7 million, HK\$0.6 million and HK\$0.4 million for FY2017, FY2018, 4M2018 and 4M2019, respectively, which were presented on net basis. For further details, please refer to the paragraph headed "Financial information — Description of certain consolidated statements of profit or loss and other comprehensive income items — Revenue" in this prospectus.
- Revenue generated from the provision of car rental services was presented on gross basis.
- Revenue generated from the sales and provision of air tickets and other ancillary travel-related products were presented on net basis.
- Excluding the discount received of approximately HK\$0.1 million, HK\$0.1 million, HK\$38,000 and HK\$27,000 for FY2017, FY2018, 4M2018 and 4M2019, respectively.

SUMMARY

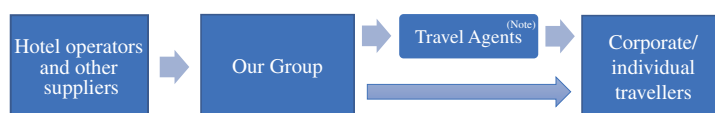
The following table sets forth the breakdown of our revenue, gross profit and gross profit margins by sales channels during the Track Record Period:

	FY2017			FY2018			4M2018			4M2019		
	Gross		Gross	Gross		Gross	Gross		Gross	Gross		Gross
	Revenue	Profit	margin	Revenue	Profit	margin	Revenue	Profit	margin	Revenue	Profit	margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
	(unaudited)			(unaudited)			(unaudited)			(unaudited)		
Selected Partners	102,803	21,254	20.7	136,876	24,172	17.7	43,255	7,639	17.7	52,956	10,110	19.1
Travel agents (other than												
Selected Partners)	3,124	991	31.7	5,983	2,320	38.8	2,816	1,220	43.3	1,518	739	48.7
Third-party online travel												
agent platforms	35	22	62.9	3,905	1,133	29.0	1,281	418	32.6	867	200	23.1
Direct sales through our												
service points	8,494	2,229	26.2	12,085	3,722	30.8	4,003	1,491	37.2	4,241	1,073	25.3
Direct sales to corporate												
customers	3,172	2,180	68.7	6,813	3,235	47.5	1,910	1,330	69.6	2,575	1,400	54.4
Total	117,628	26,676	22.7	165,662	34,582	20.8	53,265	12,098	22.7	62,157	13,522	21.8

OUR BUSINESS MODEL

During the Track Record Period, our products and services can be categorised into three major types: (i) sales and distribution of hotel rooms; (ii) provision of car rental services; and (iii) sales and provision of air tickets and other ancillary travel-related products and services.

The workflow for the sales and distribution of hotel rooms by our Group is illustrated in the flowchart below:



Note: Travel agents might involve more than one layer.

Our Group secured the hotel rooms mainly through four sources: (i) guaranteed number of hotel rooms at Pre-determined Room Rates by hotel operators; (ii) hotel rooms purchased from hotel operators by way of allotment from time to time; (iii) purchase of hotel rooms from hotel operators at promotion rates; and (iv) ad-hoc purchase of hotel rooms from hotel operators or other suppliers. For sources (i), (ii) and (iii), our Group controls the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on gross basis as principal. For source (iv), our Group does not control the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on net basis as agent. For details of each sources of hotel rooms, please refer to the paragraph headed “Business — Products and services — (i) Hotel rooms — Purchase arrangements of hotel rooms with suppliers” in this prospectus. During the Track Record Period, we entered into Hotel Rooms Guarantee Agreements and Allotment Agreements with some hotel operators

SUMMARY

in Macau. Under the Hotel Rooms Guarantee Agreements, we guarantee to purchase, and the hotel operators guarantee to provide, a fixed number of hotel rooms at Pre-determined Room Rates. Under the Allotment Agreements, the hotel operators offer preferential room rates to us, but we are not required to commit to purchase a fixed number of hotel rooms. For details of these agreements, please refer to the paragraph headed “Business — Suppliers” in this prospectus.

We mainly sold our products and services to travel agents and corporate customers, and the remaining directly to individual customers through our service points and third-party online travel agent platforms. During the Track Record Period, the sales and distribution to and through the Selected Partners was our main sales channel. During the Track Record Period, we have entered into various types of sales and distribution agreements in respect of hotel rooms with the Selected Partners, which in general could be classified into the Cooperation Agreements, the Distribution Agreements and the Framework Agreements. Under the Cooperation Agreements, our Group (i) sells and distributes an agreed number of hotel rooms to the Selected Partners and the Selected Partners are responsible for the sales and distribution of the hotel rooms; and (ii) recognises revenue on gross basis, which represents gross proceeds generated from the sales and distribution of hotel rooms by the Selected Partners, after deducting the profit or loss to be borne by the Selected Partners at a pre-determined ratio. Under the Distribution Agreements, our Group (i) sells and distributes hotel rooms through the Selected Partners on behalf of our Group; and (ii) recognises revenue on gross basis, which represents gross proceeds generated from the sales and distribution of hotel rooms through the Selected Partners, being the retail price pre-determined by our Group charged to end-customers. Under the Framework Agreements, our Group (i) sells hotel rooms to the Selected Partners; and (ii) recognises revenue on gross basis, which represents entire gross proceeds generated from the sales and distribution of hotel rooms to the Selected Partners. For details of the agreements entered into with Selected Partners, please refer to the paragraph headed “Business — Sales and marketing — Sales and distribution channels — Selected Partners” in this prospectus. We currently have four service points in Macau, including our headquarters, two on-street shops and one booth at the Macau Outer Harbour Ferry Terminal.

Our Group provided tourism-purpose car rental services and Multi-purpose Car Rental Services to corporate and retail customers. Our tourism-purpose car rental services were operated under our travel agent licence. During the Track Record Period, our Group provided in-city chauffeur-driven tourism-purpose car rental services to retail and corporate customers (including travel agents and hotels), and we also leased coaches without chauffeur to travel agents. Our Group commenced the provision of Multi-purpose Car Rental Services to retail and corporate customers (including travel agents and hotels) in May 2018 pursuant to the authorisation granted by the MGTO. Under this authorisation, there is no specific restriction on the usage of the vehicles.

PRICING

For the sales and distribution of hotel rooms where we do not have any contracts or arrangements with the hotel operators, our Group generally determines the selling price on a cost-plus basis. For the sales and distribution of hotel rooms where we have entered into Distribution Agreements with the Selected Partners, we generally determine the selling price taking into account of the Pre-determined Room Rates and the expected market demand (e.g. whether the relevant day is a weekday, weekend or festival period). Our Group also considers the market demand and feedback on the spot as reflected by the Selected Partners. Upon discussion with the Selected Partners, our Group may increase the

SUMMARY

selling price to maximise the profits or lower the selling price so as to increase the chance of selling the hotel rooms and to minimise the losses. For the sales and distribution of hotel rooms where we have entered into Cooperation Agreement or Framework Agreements with the Selected Partners, we generally determine the selling price taking into account of the Pre-determined Room Rates and negotiate with the relevant Selected Partners to arrive at a selling price at which our Group and the relevant Selected Partners can make a profit.

For car rental services, our pricing is based on seasonality, car availability, costs of similar services offered by our competitors, car type, duration of rental and market demand. The price for our travel-related products and services is generally determined on a cost-plus basis. We review prices of our products and services from time to time.

OUR CUSTOMERS

Our customers are mainly travel agents and corporates in Macau as well as individual customers. For FY2017, FY2018 and 4M2019, our five largest customers in aggregate accounted for approximately 42.5%, 46.4% and 63.7%, respectively, of our total revenue while the largest customer, Customer A, accounted for approximately 35.0%, 19.2% and 21.5% of our total revenue, respectively.

OUR SUPPLIERS

During the Track Record Period, our suppliers were mainly hotel operators, travel agents, airline operators and entertainment providers in Macau. For FY2017, FY2018 and 4M2019, our purchase attributable to our five largest suppliers, being hotel operators, travel agent, entertainment business operator and airline operator accounted for approximately 75.7%, 76.2% and 76.6% of our total purchase, respectively, and our purchase attributable to the largest supplier accounted for approximately 37.2%, 44.9% and 42.4% of our total purchase, respectively.

RELIANCE ON SUPPLIER AND CUSTOMER

Supplier — L’Arc Hotel Macau

Our Group had reliance on L’Arc Hotel Macau as our supplier. During the Track Record Period, L’Arc Hotel Macau was our largest supplier, and our purchases attributable to L’Arc Hotel Macau constituted 37.2%, 44.9% and 42.4% of our total purchase for FY2017, FY2018 and 4M2019, respectively. For FY2017, FY2018 and 4M2019, our revenue generated from the sales and distribution of hotel rooms of L’Arc Hotel Macau amounted to approximately HK\$64.8 million, HK\$94.3 million and HK\$31.4 million, respectively, constituting approximately 58.2%, 60.6% and 54.7% of our total revenue generated from the sales and distribution of hotel rooms, respectively.

SUMMARY

During the Track Record Period, we have entered into certain Hotel Rooms Guarantee Agreements with L’Arc Hotel Macau, pursuant to which we guarantee that we will purchase a fixed number of hotel rooms at Pre-determined Room Rates. In addition, we mainly sold and distributed the hotel rooms of L’Arc Hotel Macau through Customer A under the Distribution Agreement, which accounted for 84.7%, 68.0% and 49.4% of the total hotel rooms of L’Arc Hotel Macau sold and distributed by our Group for FY2017, FY2018 and 4M2019, respectively.

Our Directors do not consider our reliance on L’Arc Hotel Macau as supplier would affect our suitability for Listing because: (i) we have entered into Hotel Rooms Guarantee Agreements with seven, seven and eight hotels, respectively, for FY2017, FY2018 and 4M2019. The number of hotel rooms provided by L’Arc Hotel Macau accounted for approximately 44.6%, 43.0% and 37.1% of the total number of hotel rooms provided to our Group under all the agreements entered with hotel operators for FY2017, FY2018 and 4M2019, respectively, which has shown a decline; (ii) as it is part of our business strategies to cooperate with more hotels in Macau, our Directors believe that our purchase from L’Arc Hotel Macau as a percentage of our total purchase of hotel rooms will further decrease in the future; (iii) we have established business relationship with L’Arc Hotel Macau since 2014, and the number of hotel rooms provided by L’Arc Hotel Macau has gradually increased from six hotel rooms per day to 157 hotel rooms per day on average as at 30 April 2019, which demonstrates that L’Arc Hotel Macau and we do not foresee any difficulty in finding substitute hotel in the unlikely event that L’Arc Hotel Macau ceases to provide hotel rooms to us. For details, please refer to the paragraph headed “Business — Reliance on supplier and customer — (i) Supplier — L’Arc Hotel Macau — Supplier concentration risk with L’Arc Hotel Macau” in this prospectus.

Customer — Customer A

Our Group had reliance on Customer A as our customer. During the Track Record Period, Customer A was our largest customer. For FY2017, FY2018 and 4M2019, our revenue generated from and through Customer A amounted to approximately HK\$95.1 million, HK\$95.0 million and HK\$28.3 million, accounting for approximately 80.8%, 57.4% and 45.5% of our total revenue, respectively. In addition, approximately 45.8%, 38.2% and 24.0% of our total revenue was generated from the sales and distribution of the hotel rooms of L’Arc Hotel Macau through Customer A under the Distribution Agreement, respectively.

Customer A is an Independent Third Party and was our largest customer during the Track Record Period. Customer A is a Macau-based private company which engages in sales and distribution of travel products and services through both business-to-business and business-to-customer channels serving customers mainly in Macau and Pearl River Delta area. According to the Ipsos Report, Customer A is identified as one of the major travel agents in Macau, based on reputation and the range of services provided. We started our business with Customer A in 2014, and we entered into the Cooperation Agreements and Distribution Agreements with it. Our Distribution Agreements entered into with Customer A relate to the sales and distribution of hotel rooms of L’Arc Hotel Macau, pursuant to which the retail price is pre-determined by our Group. Our Cooperation Agreements entered into with Customer A relate to the sales and distribution of hotel rooms of hotels other than L’Arc Hotel Macau, pursuant to which the retail price is determined at the discretion of Customer A. Such Distribution Agreements and Cooperation Agreements have profit and loss sharing arrangement in place.

SUMMARY

Our Directors do not consider our customer concentration would affect our suitability for Listing because: (i) our revenue generated from and through Customer A has decreased from FY2017 to FY2018 and further decreased for 4M2019; (ii) we commenced our Multi-purpose Car Rental Services in May 2018, and we expect to diversify our revenue source and thus the revenue attributable to Customer A as a percentage of our total revenue will further decrease in the future; (iii) as at 31 December 2017 and 2018 and 30 April 2019, we have secured 150, 172 and 157 hotel rooms per day on average with L’Arc Hotel Macau, respectively, representing approximately 53.0%, 60.8% and 55.5% of its total number of hotel rooms, respectively. As L’Arc Hotel Macau is located at a popular area of well-known 5-star hotels in Macau Peninsula, and there is a high demand for 5-star hotel rooms in Macau Peninsula, our Directors consider that Customer A has to approach us for similar volume of the hotel rooms of L’Arc Hotel Macau and therefore there is mutual reliance between Customer A and us; (iv) Customer A will have to pay an upfront deposit if it wishes to do direct business with L’Arc Hotel Macau; (v) we have demonstrated that we can enter into the Cooperation Agreements, Distribution Agreements and/or Framework Agreements with other Selected Partners; and (vi) according to the Ipsos Report, the total revenue of travel agent services in Macau is expected to increase at a CAGR of approximately 5.2% from 2018 to 2022. For details, please refer to the paragraph headed “Business — Reliance on supplier and customer — (ii) Customer — Customer A — Customer concentration risk with Customer A” in this prospectus.

OUR COMPETITIVE STRENGTHS

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

- Established good and stable relationships with our key suppliers and customers
- Diversified products and services range to customers
- Diversified range of hotel rooms which are offered by us
- Diversified customer types
- We have an experienced and stable management team

For details, please refer to the paragraph headed “Business — Our competitive strengths” in this prospectus.

OUR STRATEGIES

Our Company aims to further strengthen our established market position in Macau’s travel industry. To generate satisfactory profits and investment returns for our shareholders and drive our sustainable growth in the future, we plan to adopt the following strategies:

- Expansion of our car fleet
- Cooperation with more hotel operators and other travel agents and corporate customers in Macau
- Increase our marketing and expansion of our sales channel
- Improve the efficiency of our operation
- Expansion of our workforce

For details, please refer to the paragraph headed “Business — Our strategies” in this prospectus.

SUMMARY

HIGHLIGHTS OF RISK FACTORS

Our business is subject to a number of risks, including risks relating to our business and operations, the travel industry, the car rental services industry, and the Share Offer. You should read the entire section headed “Risk factors” in this prospectus carefully. The major risks include:

- Our limited operating history makes it difficult to evaluate our results of operations and prospects.
- Our major suppliers might opt to deal with our customers directly, alternatively our travel agent customers may source hotel rooms from each other, thereby bypassing us.
- Our revenue was substantially generated from the sales and distribution of hotel rooms supplied by L’Arc Hotel Macau, and our business and results of operation may be adversely affected if (i) L’Arc Hotel Macau terminates or refuses to renew the relevant Hotel Rooms Guarantee Agreement or (ii) the renewed terms become less favourable to us.
- We are committed to secure a guaranteed number of hotel rooms at Pre-determined Room Rates with various hotels operators, in particular, L’Arc Hotel Macau. We may suffer from a decrease in profits or record a loss from the sales and distribution of the guaranteed hotel rooms if we are unable to sell and distribute the hotel rooms at rates higher than their respective Pre-determined Room Rates or if L’Arc Hotel Macau reduces the number of hotel rooms sold to us.
- We sold and distributed a significant portion of the hotel rooms of L’Arc Hotel Macau through Customer A. If Customer A ceases to procure hotel rooms of L’Arc Hotel Macau from us and we are unable to find a replacement on a timely basis, we may not be able to sell and distribute the hotel rooms of L’Arc Hotel Macau secured by us and our operations and financial performance may be adversely affected.
- Our revenue was substantially generated from and through Customer A and any decrease or loss of business from Customer A could adversely and substantially affect our operations and financial position.
- Our revenue was mainly derived from Macau and our sales performance is susceptible to changes in Macau as well as the PRC policies and economic environment.
- If we are unable to obtain and maintain adequate parking spaces at reasonable costs, our growth opportunities may be adversely affected.

COMPETITIVE LANDSCAPE

The degree of competition is relatively high for the travel agent industry in Macau as the industry was fragmented with 227 licensed travel agents as at 30 June 2019, according to statistics of the MGTO. A majority of the travel agents had a relatively small percentage of market share in the industry. Travel agents are supervised by the MGTO and there is a licensing requirement to operate as a travel agent in Macau. As at 30 June 2019, a total of four car rental services companies (including our Group) were licensed to provide self-drive rent-a-car services. For travel agents, they could only provide car rental services for tourism-purpose only under their travel agent licences. As there is a substantial number of players in the car rental services market, the industry’s degree of competition is relatively high among the top four players with their market share accounted for approximately 86.3% in 2018.

SUMMARY

KEY FINANCIAL DATA

The tables below set forth a summary of our consolidated financial information during the Track Record Period, which has been extracted from and based on the Accountants' Report:

Highlights of consolidated statements of profit or loss and other comprehensive income

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Revenue	117,628	165,662	53,265	62,157
Cost of sales	(90,848)	(130,974)	(41,129)	(48,608)
Gross profit	26,780	34,688	12,136	13,549
Profit before tax	20,901	18,863	9,105	3,496
Profit for the year/period	18,236	16,276	7,911	2,893

Revenue recognition on sales and distribution of hotel rooms

When determining the revenue recognition policy in respect of revenue generated from the sales and distribution of hotel rooms, our Group has made reference to the relevant requirements concerning "principal versus agent considerations" as set out in HKFRS 15 to determine whether our Group is acting as principal or as agent in these arrangements.

For revenue generated from the sales and distribution of hotel rooms under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales, our Group procures and is guaranteed a fixed number of hotel rooms from the hotel operators and is contractually liable to pay these hotel operators for the hotel rooms regardless of whether these hotel rooms are sold to our customers. Accordingly, it is considered that our Group has obtained control over these hotel rooms procured and continues to control these hotel rooms until such time that these controls are subsequently transferred to the customers. Hence, it is considered that our Group has inventory risk in respect of the procured hotel rooms.

Our Group also has the discretion in determining the price for the hotel rooms sold to our customers, and indicates that our Group has the ability to direct the use of the hotel rooms.

Accordingly, our Group is acting as a principal for the sales and distribution of hotel rooms under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales and therefore revenue is recognised as the amount of the consideration that our Group is entitled from transferring the control of the hotel rooms to the customers.

SUMMARY

Margin income on sales and distribution of hotel rooms

Our Group also arranges for the sales and distribution of hotel rooms on behalf of another party and recognises margin income from the sales and distribution of such hotel rooms. For those purchases of hotel rooms to be provided by other parties to customers, i.e. hotel operators or other suppliers, our Group does not control these hotel rooms before they are transferred to customers, and our Group recognises margin income on net basis as agent.

Non-HKFRS measures

To supplement our consolidated financial statements which are prepared in accordance with HKFRSs, we also presented the adjusted profit for the year/period.

We believe that adjusted profit for the year/period is a useful supplement to the consolidated statements of profit or loss and other comprehensive income because it reflects our profitability for our operation without taking into consideration of the non-recurring Listing expenses. However, adjusted profit for the year/period should not be considered in isolation or construed as an alternative to gross profit or profit for the year/period prepared in accordance with HKFRSs, or as an alternative to cash flow as a measurement of liquidity and shall be used for illustrative purpose only. Potential investors should be aware that the adjusted profit for the year/period presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

The table below sets forth the adjusted profit for the year/period during the Track Record Period:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Profit for the year/period	18,236	16,276	7,911	2,893
Add:				
Listing expenses	—	5,828	—	5,500
Adjusted profit for the year/period	<u>18,236</u>	<u>22,104</u>	<u>7,911</u>	<u>8,393</u>

Our adjusted profit for the year increased from approximately HK\$18.2 million for FY2017 to approximately HK\$22.1 million for FY2018. For 4M2019, our adjusted profit for the period amounted to approximately HK\$8.4 million, representing an increase of approximately HK\$0.5 million from approximately HK\$7.9 million for 4M2018. The increase in our adjusted net profit for the year/period was mainly driven by the increase in our total revenue for FY2018 and 4M2019, mainly due to the increase in revenue generated from sales and distribution of hotel rooms and provision of car rental services. For further details, please refer to paragraph headed “Financial information — Description of certain consolidated statements of profit or loss and other comprehensive income items” in this prospectus.

SUMMARY

Highlights of consolidated statements of financial position

	As at 31 December 2017	2018	As at 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets	7,315	18,425	18,920
Current assets	39,474	48,080	51,051
Current liabilities	17,075	20,548	26,045
Net current assets	22,399	27,532	25,006
Non-current liabilities	—	—	3,889
Total equity/net assets	29,714	45,957	40,037

We recorded net current assets of approximately HK\$22.4 million, HK\$27.5 million and HK\$25.0 million as at 31 December 2017 and 2018 and 30 April 2019, respectively. The increase in our net current assets during FY2018 was primarily due to (i) increase in trade receivables, deposits and prepayments; (ii) increase in amounts due from related companies; (iii) increase in bank deposits with original maturity over three months; and (iv) increase in cash and cash equivalents. The decrease in our net current assets during 4M2019 was primarily due to (i) decrease in amounts due from related companies; (ii) increase in trade and other payables; and (iii) the recognition of lease liabilities following the adoption of HKFRS 16. For details, please refer to the paragraph headed “Financial information — Net current assets” in this prospectus. Our net assets decreased from approximately HK\$46.0 million as at 31 December 2018 to approximately HK\$40.0 million as at 30 April 2019, mainly due to dividend declared during 4M2019, being mitigated by the profit for 4M2019.

Highlights of consolidated statements of cash flows

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	22,401	22,707	9,779	5,301
Net cash (used in)/generated from operating activities	(1,028)	23,015	11,759	2,133
Net cash used in investing activities	(1,878)	(18,911)	(8,043)	(2,232)
Net cash generated from financing activities	583	844	—	3,789
Net (decrease)/increase in cash and cash equivalents	(2,323)	4,948	3,716	3,690
Cash and cash equivalents at the beginning of the year/period	8,035	5,898	5,898	10,553
Cash and cash equivalents at the end of the year/period	5,898	10,553	9,653	14,291

SUMMARY

Our Group recorded net cash used in operating activities of approximately HK\$1.0 million for FY2017, and recorded net cash generated from operating activities of approximately HK\$23.0 million and HK\$2.1 million for FY2018 and 4M2019, respectively. The net cash used in operating activities for FY2017 was mainly attributable to the negative change in working capital, primarily driven by (i) increase in trade receivables, deposits and prepayments mainly due to the revenue growth in sales and distribution of hotel rooms during FY2017; and (ii) net advancement made to related companies and a director. For the associated risk, please refer to the paragraph headed “Risk factors — We recorded net cash used in operating activities for FY2017. We cannot assure you that we will not experience any net cash used in operating activities again in the future” in this prospectus. The increase in net cash used in investing activities during FY2018 was mainly attributable to the acquisition of vehicles for car rental services. For detailed analysis of our cash flows, please refer to the paragraph headed “Financial information — Liquidity and capital resources — Cash flows” in this prospectus.

FINANCIAL RATIOS

Key financial ratios

	FY2017	FY2018	4M2019
Net profit margin before interest and tax (%)	17.8	11.4	5.7
Net profit margin (%)	15.5	9.8	4.7
Net profit margin (excluding Listing expenses) (%)	15.5	13.3	13.5
Return on equity (%)	61.3	35.4	N/A
Return on total assets (%)	38.9	24.5	N/A
	As at 31 December	As at	As at
	2017	2018	30 April 2019
Current ratio (times)	2.3	2.3	2.0
Quick ratio (times)	2.3	2.3	2.0
Gearing ratio (%)	1.6	—	16.9
Debt to equity ratio (%)	N/A	N/A	N/A

Excluding the effect of Listing expenses of approximately HK\$5.8 million and HK\$5.5 million recognised for FY2018 and 4M2019, respectively, our net profit margin remained relatively stable at approximately 15.5%, 13.3% and 13.5% for FY2017, FY2018 and 4M2019, respectively. In addition, our gearing ratio increased from nil as at 31 December 2018 to approximately 16.9% as at 30 April 2019, mainly attributable to the combined effect of (i) the increase in our borrowings of approximately HK\$4.4 million; (ii) the increase in our lease liabilities of approximately HK\$2.4 million; and (iii) the decrease in our total equity base of approximately HK\$6.0 million as at 30 April 2019 as compared to 31 December 2018. For further details regarding the calculation basis for the above ratios, please refer to the paragraph headed “Financial information — Summary of key financial ratios” in this prospectus.

SUMMARY

CONTROLLING SHAREHOLDERS

Immediately upon the completion of the Capitalisation Issue and the Share Offer (without taking into account Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), Silver Esteem will control 75% of the issued share capital of our Company. As at the Latest Practicable Date, Silver Esteem was legally and beneficially owned as to 100% by Mr. Choi. As such, Silver Esteem and Mr. Choi are regarded as Controlling Shareholders within the meaning of the GEM Listing Rules.

For details, please refer to the sections headed “Relationship with Controlling Shareholders” and “Substantial and Significant Shareholders” in this prospectus.

LISTING EXPENSES

The total Listing expenses (based on the mid-point of the Offer Price range) are estimated to be approximately HK\$29.0 million. Among the estimated total Listing expenses, (i) approximately HK\$8.8 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$20.2 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$5.8 million and HK\$5.5 million have been recognised for FY2018 and 4M2019, respectively, and the balance of approximately HK\$8.9 million is expected to be recognised for the year ending 31 December 2019.

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2019 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to our historical financial performance.

REASONS FOR LISTING

Our Directors believe that the net proceeds from the Share Offer raised in the Listing will enable us to meet our genuine funding needs, and the Listing will allow our Group the flexibility of raising fund by either debt financing or equity financing in the future. For details, please refer to the paragraph headed “Future plans and use of proceeds — Reasons for Listing” in this prospectus.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of HK\$0.20 per Offer Share	Based on an Offer Price of HK\$0.24 per Offer Share
Market capitalisation of our Shares expected to be in issue following the completion of the Capitalisation Issue and the Share Offer ^(Note 1)	HK\$240.0 million	HK\$288.0 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ^(Note 2)	HK cents 6.88	HK cents 7.85

Notes:

1. The calculation of the market capitalisation is based on 1,200,000,000 Shares expected to be in issue following the completion of the Capitalisation Issue and the Share Offer.

SUMMARY

2. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after making the adjustments referred to in Appendix II to this prospectus and on the basis of 1,200,000,000 Shares in issue assuming that the Capitalisation Issue and the Share Offer have been completed on 30 April 2019 but takes no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be granted and issued or repurchased by our Company pursuant to the general mandate and the share repurchase mandate.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK\$37.0 million from the Share Offer after deducting the underwriting fees, commission fees and estimated expenses payable by us in connection with the Share Offer. In line with our business strategies, we currently intend to apply the net proceeds from the Share Offer for the following purposes:

	From the Latest Practicable Date to 31 December 2019 HK\$'000	For the six months ending						Total HK\$'000	Percentage of net proceeds %
		30 June 2020 HK\$'000	31 December 2020 HK\$'000	30 June 2021 HK\$'000	31 December 2021 HK\$'000	30 June 2022 HK\$'000	31 December 2022 HK\$'000		
Expand our car fleet	4,672	816	4,320	1,428	4,932	2,040	1,360	19,568	52.9
Cooperate with more hotel operators	—	3,000	3,000	—	—	—	—	6,000	16.2
Increase our marketing and expansion of our sales channel	950	1,282	882	882	882	882	672	6,432	17.4
Improve the efficiency of our operation	1,528	—	—	—	—	—	—	1,528	4.1
Expand our workforce	136	408	408	408	408	408	272	2,448	6.6
General working capital	—	—	—	—	—	—	—	1,024	2.8
Total	7,286	5,506	8,610	2,718	6,222	3,330	2,304	37,000	100.0

For details of our future plans, use of proceeds and the implementation plans, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

DIVIDEND

During FY2018 and 4M2019, our Group declared dividends of approximately HK\$0.9 million and HK\$8.9 million, respectively, which was settled against the net amounts due from related parties and amount due from a director.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, the details of which are set out in the paragraph headed “Financial information — Dividend and distributable reserves” in this prospectus. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We do not have any pre-determined payout ratio.

SUMMARY

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of sales and distribution of hotel rooms, provision of car rental services and sales and provision of air tickets and other ancillary travel-related products and services, and had no material changes to our principal businesses.

During the Track Record Period, our Group had been granted three permits for crossing the HZMB. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services. We have been liaising closely with different government authorities in Hong Kong to complete the relevant application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services between Macau and Hong Kong in the fourth quarter of 2019.

Based on our unaudited financial statements for the seven months ended 31 July 2019 (“7M2019”), we recorded a higher revenue for 7M2019 as compared to that for the seven months ended 31 July 2018 (“7M2018”). The increase was mainly driven by the increase in revenue generated from the sales and distribution of hotel rooms and provision of car rental services. In addition, our gross profit for 7M2019 was higher as compared to that for 7M2018, and such increase was generally in line with the increase in revenue.

In December 2018, we received notification from L’Arc Hotel Macau that the hotel would be renovated in 2019 and as a result, the number of rooms of L’Arc Hotel Macau available to us would be reduced from 175 rooms per day from Sunday to Thursday and 165 rooms per day from Friday to Saturday in December 2018 to 158 rooms per day from Sunday to Thursday and 148 rooms per day from Friday to Saturday in the first quarter of 2019. It is expected that the renovation will take place in stages in the same scale as in the first quarter of 2019 and the rooms available to us per day and the room rates from L’Arc Hotel Macau will be kept at the same level as in the first quarter of 2019 for the rest of 2019 until the completion of the renovation, given that the completion date was not known to us as at the Latest Practicable Date. Our Directors are of the view that the financial impact is limited, given the decrease in number of hotel rooms provided by L’Arc Hotel Macau only comprised approximately 1.9% of the total number of hotel rooms sold and distributed by us as at 31 December 2018, and being offset by the increase of approximately 7.6% of the total number of hotel rooms sold and distributed by us in January 2019 as compared to December 2018.

During 4M2019, we first established business relationship with Hotel P, being a five-star deluxe hotel in Macau. Subsequent to the Track Record Period, the number of hotel rooms supplied by Hotel P increased from two hotel rooms per day to ten hotel rooms per day.

SUMMARY

As at 30 April 2019, we rented the Old Properties comprising two units at 10th Floor of Centro Comercial Cheng Feng in Macau of which the expiry date of the leases was 15 October 2019. Subsequent to the Track Record Period, the landlord of the Old Properties notified our Group that the landlord intended to early terminate the leases of the Old Properties. The effective dates of the early termination of the leases were 16 August 2019 and 16 September 2019, respectively. As a result, subsequent to the Track Record Period, we rented the New Properties at 9th Floor of Centro Comercial Cheng Feng in Macau. The leases of the New Properties commenced on 16 July 2019 and will expire on 15 April 2021. Considering that (i) the leases of the Old Properties were early terminated; and (ii) the Old Properties constituted two of our three offices in Macau, our Group accelerated our timeline for relocation. As a result, we have relocated to the New Properties in August 2019 before our full renovation, and will continue the renovation of the New Properties in phases until November 2019. For details of the Old Properties and New Properties, please refer to the paragraph headed “Business — Properties — Leased properties” in this prospectus.

In August 2019, we entered into an agreement with a company held by an operator of an app (the “App”) for a term of one year. The App is a ride-hailing application launched in 2015 in China mainly providing services including chauffeur rental, taxi hailing and coach rental services. According to Ipsos, the App is one of the leading ride-hailing applications providing chauffeur rental service in the ride-hailing industry in China. Pursuant to the agreement, customers can make orders for our Multi-purpose Car Rental Services through the App.

Subsequent to the Track Record Period, we rented three carparking spaces in Macau of which the expiry date of the leases was 15 July 2021.

Our Directors confirm that, save for the Listing expenses to be incurred as stated in the paragraph headed “Listing expenses” in this section above, (i) there were no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 30 April 2019 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 30 April 2019 and up to the date of this prospectus; and (iii) no event had occurred since 30 April 2019 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants’ Report.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“Accountants’ Report”	the accountants’ report of our Group set out in Appendix I to this prospectus
“Allotment Agreement(s)”	agreement(s) entered into between our Group and a hotel operator pursuant to which we are offered preferential room rates but we do not guarantee any purchase of hotel rooms
“Ample Coral”	Ample Coral Limited, a company incorporated in BVI with limited liability on 15 October 2018, an indirect wholly-owned subsidiary of our Company
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) or, where the context so requires, any of them which is used in relation to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 3 September 2019 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board” or “our Board”	the board of Directors
“Brilliant Town”	Brilliant Town Limited, a company incorporated in BVI with limited liability on 10 October 2018, an indirect wholly-owned subsidiary of our Company
“business day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“C U Macau”	C U Macau Tourism Company Limited (去澳門旅遊有限公司) (previously known as C U Macau Company Limited (去澳門有限公司)), a company incorporated in Macau with limited liability on 9 December 2016, an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Capitalisation Issue”	the issue of 899,999,999 Shares to be made upon capitalisation of a sum of HK\$8,999,999.99 standing to the credit of the share premium account of our Company upon completion of the Share Offer referred to in the paragraph headed “A. Further information about our Group — 6. Written resolutions of our sole Shareholder passed on 3 September 2019” in Appendix IV to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person permitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, and for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” or “PRC” do not include Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company”, “our Company”, “we” or “us”	Ying Hai Group Holdings Company Limited (瀛海集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 18 December 2018
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and in the context of this prospectus, refers to Silver Esteem and Mr. Choi
“Cooperation Agreement(s)”	agreement(s) entered into between our Group and a Selected Partner pursuant to which the Selected Partner agrees to purchase an agreed number of hotel rooms from us over an agreed period, and the Selected Partner determines the room rates charged against the ultimate customers
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Co-Managers”	Bonus Eventus Securities Limited, Canfield Securities Company Limited, First Fidelity Capital (International) Limited, being the co-managers to the Share Offer
“Deed of Indemnity”	the deed of indemnity dated 3 September 2019 executed by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of our subsidiaries from time to time), particulars of which are summarised in the paragraph headed “E. Other information — 1. Tax and other indemnities” in Appendix IV to this prospectus
“Director(s)”	the director(s) of our Company
“Distribution Agreement(s)”	agreement(s) entered into between our Group and a Selected Partner pursuant to which our Group sells and distributes hotel rooms through the Selected Partner on behalf of our Group, and we determine the room rates to be charged against the ultimate customers
“DSEC”	Direcção dos Serviços de Estatística e Censos, or Statistics and Census Service of Macau
“Endless Luck”	Endless Luck Global Limited, a company incorporated in BVI with limited liability on 9 October 2018, a direct wholly-owned subsidiary of our Company
“Framework Agreement(s)”	agreement(s) entered into between our Group and a Selected Partner under which our Group sells and distributes hotel rooms to the Selected Partner under general terms

DEFINITIONS

“FY2017”	the year ended 31 December 2017
“FY2018”	the year ended 31 December 2018
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries and the businesses operated by such subsidiaries or their predecessors (as the case may be)
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited, the branch share registrar of our Company in Hong Kong
“Hong Kong Legal Counsel”	Ms. Queenie W. S. Ng, barrister-at-law of Hong Kong
“Hotel Rooms Guarantee Agreement(s)”	agreement(s) entered into between our Group and a hotel operator pursuant to which we guarantee to purchase, and the hotel operator guarantees to provide, a fixed number of hotel rooms at Pre-determined Room Rates covering a certain period of time

DEFINITIONS

“HZMB”	Hong Kong — Zhuhai — Macao Bridge
“Independent Third Party(ies)”	individual(s) or company(ies) who or which to the best of our Directors’ knowledge information and belief, having made all reasonable enquires, is/are not connected person(s) of our Company within the meaning of the GEM Listing Rules
“Ipsos”	Ipsos Limited, an Independent Third Party and an independent market research expert commissioned by us for the preparation of the Ipsos Report
“Ipsos Report”	the industry research report prepared by Ipsos, the contents of which is quoted in this prospectus
“Joint Lead Managers”	Lego Securities Limited and Great Roc Capital Securities Limited, being the joint lead managers to the Share Offer
“Latest Practicable Date”	5 September 2019, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	listing of the Shares on GEM
“Listing Date”	the date on which dealings in our Shares on GEM first commence, which is expected to be on or around Thursday, 26 September 2019
“Macau”	the Macao Special Administrative Region of the PRC
“Macau Legal Advisers”	Advogado Leong Hon Man, the legal advisers to our Company as to Macau law
“Max Rank”	Max Rank Limited, a company incorporated in BVI with limited liability on 28 September 2018, an indirect wholly-owned subsidiary of our Company
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company adopted on 3 September 2019, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
“MGTO”	Macao Government Tourism Office
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Choi”	Mr. Choi Wai Chan (蔡偉振), an executive Director, chairman of the Board, chief executive officer of our Group and one of our Controlling Shareholders
“Mr. Leong”	Mr. Leong Tat Meng (梁達明), an executive Director
“Mrs. Choi”	Ms. Wong Pui Keng (王佩琮), the spouse of Mr. Choi

DEFINITIONS

“Multi-purpose Car Rental Services”	the provision of pre-ordered light passenger car rental services for transportation of tourists and other individuals by our Group during the Track Record Period as regulated by the Decree Law no. 52/84/M of Macau
“New Properties”	the leased properties in Macau at (i) 澳門布魯塞爾街33號至119號, 巴黎街10號至118號, 宋玉生廣場322至362號及馬濟時總督大馬路315號至365號, 富達花園(誠豐商業中心)9樓P室 (Unit P, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d’assumpção no. 336-342, Macau*); (ii) 澳門布魯塞爾街33號至119號, 巴黎街10號至118號, 宋玉生廣場322至362號及馬濟時總督大馬路315號至365號, 富達花園(誠豐商業中心)9樓Q室 (Unit Q, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d’assumpção no. 336-342, Macau*); (iii) 澳門布魯塞爾街33號至119號, 巴黎街10號至118號, 宋玉生廣場322至362號及馬濟時總督大馬路315號至365號, 富達花園(誠豐商業中心)9樓O室 (Unit O, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d’assumpção no. 336-342, Macau*); and (iv) 澳門布魯塞爾街33號至119號, 巴黎街10號至118號, 宋玉生廣場322至362號及馬濟時總督大馬路315號至365號, 富達花園(誠豐商業中心)9樓N室 (Unit N, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d’assumpção no. 336-342, Macau*), of which the expiry date of the leases was 15 April 2021
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) to be determined on or before the Price Determination Date, and which is not more than HK\$0.24 per Offer Share and expected to be not less than HK\$0.20 per Offer Share
“Offer Share(s)”	the Public Offer Shares and the Placing Shares
“Old Properties”	the leased properties in Macau at (i) 澳門新口岸新填海區宋玉生廣場336-342號誠豐商業中心10樓I室 (Unit I, 10th Floor, Centro Comercial Cheng Feng, Alameda Dr. Carlos d’Assumpção no. 336-342, Macau*); and (ii) 澳門新口岸新填海區宋玉生廣場336-342號誠豐中心10樓G室 (Unit G, 10th Floor, Centro Comercial Cheng Feng, Alameda Dr. Carlos d’assumpção no. 336-342, Macau*), of which the expiry date of the leases was 15 October 2019

DEFINITIONS

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters for and on behalf of our Company at the Offer Price subject to the terms and conditions as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 270,000,000 Shares initially being offered at the Offer Price for subscription pursuant to the Placing subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing, who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional placing underwriting agreement relating to the Placing and expected to be entered into by our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Managers and the Placing Underwriters on or about the Price Determination Date
“PRC Legal Advisers”	Tian Yuan Law Firm, the legal advisers to our Company as to PRC law
“Pre-determined Room Rate(s)”	the room rate(s) at which our Group needs to pay the hotel operator for rooms in a particular hotel pursuant to a Hotel Rooms Guarantee Agreement
“Price Determination Agreement”	the agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Wednesday, 18 September 2019, and in any event not later than Tuesday, 24 September 2019
“Public Offer”	the offer of the Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in the section headed “Structure and conditions of the Share Offer” in this prospectus and the Application Forms
“Public Offer Shares”	the 30,000,000 new Shares initially being offered for subscription at the Offer Price pursuant to the Public Offer, subject to re-allocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer listed in the paragraph headed “Underwriting — Public Offer Underwriters” in this prospectus

DEFINITIONS

“Public Offer Underwriting Agreement”	the public offer underwriting agreement dated 12 September 2019 relating to the Public Offer entered into among our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Managers and the Public Offer Underwriters
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation of our Group for the purpose of the Listing, particulars of which are set out in the section headed “History, development and Reorganisation” in this prospectus.
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Selected Partner(s)”	the company(ies), which are mainly travel agent(s), which has/have entered into agreement(s) with our Group in relation to the sales and distribution of hotel rooms in Macau, all of which are Independent Third Parties
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	collectively, the Placing and the Public Offer
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company pursuant to the written resolutions of our sole Shareholder passed on 3 September 2019, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix IV to this prospectus
“Silver Esteem”	Silver Esteem Limited, a company incorporated in BVI with limited liability on 6 July 2018 and one of our Controlling Shareholders
“Sole Bookrunner”	Lego Securities Limited, being the sole bookrunner to the Share Offer and a licensed corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO
“Sole Sponsor”	Lego Corporate Finance Limited, being the sole sponsor to the Listing and a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity under the SFO

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Tak Chun”	Tak Chun Gaming Promotion Company Limited (德晉博彩中介股份有限公司), a limited liability company incorporated in Macau which carries out entertainment business and was one of our major customers and suppliers during the Track Record Period. For the purpose of the GEM Listing Rules, Tak Chun is an Independent Third Party. For details, please refer to section headed “Relationship with Controlling Shareholders” in this prospectus
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, modified and supplemented from time to time
“Track Record Period”	the financial periods comprising FY2017, FY2018 and 4M2019
“U.S. Securities Act”	the United States Securities Act of 1993, as amended and rules and regulation promulgated thereunder
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“ WHITE Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ YELLOW Application Form(s)”	the form(s) of application for the Public Offer Shares for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS
“Ying Hai Entertainment”	Ying Hai Entertainment Group Limited (瀛海娛樂集團有限公司), a company incorporated in Macau with limited liability on 7 May 2013, a former direct holding company of Ying Hai Tourism (Macau) and a former indirect holding company of Zhuhai Ying Hai immediately before the Reorganisation

DEFINITIONS

“Ying Hai Interurban”	Ying Hai Interurban Passenger Road Transport Company Limited (瀛海陸路跨境客運股份有限公司), a company incorporated in Macau with limited liability on 22 October 2018, an indirect wholly-owned subsidiary of our Company
“Ying Hai Tourism (HK)”	Ying Hai Tourism Company Limited (瀛海旅遊有限公司) (previously known as Win High Entertainment Group Limited (瀛海娛樂集團有限公司) and Ying Hai Entertainment Group Limited (瀛海娛樂集團有限公司)), a company incorporated in Hong Kong with limited liability on 20 May 2016, an indirect wholly-owned subsidiary of our Company
“Ying Hai Tourism (Macau)”	Ying Hai Tourism Company Limited (瀛海旅遊有限公司) (previously known as Win High Entertainment Group Limited (瀛海娛樂集團有限公司) and Ying Hai Entertainment Group Limited (瀛海娛樂集團有限公司)), a company incorporated in Macau with limited liability on 28 February 2014, an indirect wholly-owned subsidiary of our Company
“Ying Hai Rent-A-Car (HK)”	Ying Hai Rent-A-Car Service Company Limited (瀛海汽車租賃服務有限公司), a company incorporated in Hong Kong with limited liability on 29 November 2018, an indirect wholly-owned subsidiary of our Company
“Ying Hai Rent-A-Car (Macau)”	Ying Hai Rent-A-Car Service Company Limited (瀛海汽車租賃服務有限公司) (previously known as Win High Rent-A-Car Service Company Limited ((瀛海汽車租賃服務有限公司)), a company incorporated in Macau with limited liability on 19 May 2015, an indirect wholly-owned subsidiary of our Company
“Zhuhai Technology”	珠海來去資訊科技有限公司 (Zhuhai Laiqu Information Technology Company Limited*), a company established in the PRC with limited liability on 9 April 2018 and was deregistered in the PRC on 21 December 2018, a former wholly-owned subsidiary of C U Macau immediately before its deregistration
“Zhuhai Ying Hai”	珠海瀛海企業策劃有限公司 (Zhuhai Ying Hai Corporate Planning Company Limited*), a company established in the PRC with limited liability on 13 November 2015, an indirect wholly-owned subsidiary of our Company
“4M2018”	the four months ended 30 April 2018
“4M2019”	the four months ended 30 April 2019
“%”	per cent.

DEFINITIONS

All dates and times in this prospectus refer to Hong Kong time unless otherwise stated.

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

For ease of reference, the English translation of Chinese name or Portuguese name, or vice versa, has been provided for identification purpose only.

The English names of the Macau entities mentioned in this prospectus which are marked with “” are translated, or transliterated from their Chinese names and are for identification purposes only.*

Certain figures used in this prospectus that are expressed in MOP are calculated based on the conversion rate of HK\$1.00 to MOP1.03.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus. These terms and their meanings may or may not correspond to standard industry meanings or usage of these terms.

“app”	abbreviation for application, which is a computer software designed for a particular purpose that can be downloaded onto a mobile phone or other mobile device
“CAGR”	compound annual growth rate
“GDP”	gross domestic product
“in-city”	travelling within the city

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve substantial known and unknown risks and uncertainties. Any statements that express, or involve discussions with respect to expectations, beliefs, plans, objectives, assumptions or future events or performance (in general, using words such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or other similar expressions) are not historical facts, may be forward-looking and may involve estimates and assumptions and are subject to risks (including those discussed under the section headed “Risk factors” in this prospectus), uncertainties, and other factors some of which are beyond the control of our Company and which are difficult to predict.

Forward-looking statements in this prospectus include, without limitation, statements relating to:

- our business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our financial condition and performance;
- our ability to control costs;
- our dividend policy;
- the trends and conditions in the industry and markets in which we operate;
- the regulatory environment;
- general political and economic conditions; and
- other factors beyond our control.

These forward-looking statements reflect the current views of our Company as to future events and are not guarantees of future performance. Accordingly, our future results and achievements may differ materially and adversely from those expressed. Subject to the requirements of the applicable laws, rules (including the GEM Listing Rules) and regulations, our Group does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Statements of or references to the intentions of our Company or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

Given these risks and uncertainties, prospective investors should not place undue reliance on such forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Prospective investors should carefully consider all the information in this prospectus including the risks and uncertainties described below, prior to making an investment in the Share Offer. Prospective investors should pay particular attention to the fact that we conduct our operations in Macau and are governed by the local legal and regulatory environment which in some respects may differ from that prevailing in other countries. The business, results of operations, financial conditions and prospects of our Group could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties and prospective investors may lose all or part of their investment.

A. RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

Our limited operating history makes it difficult to evaluate our results of operations and prospects

We were established in 2014 and have a limited operating history. Our revenue increased by approximately HK\$48.1 million or 40.8% from approximately HK\$117.6 million for FY2017 to approximately HK\$165.7 million for FY2018. For 4M2019, our revenue amounted to approximately HK\$62.2 million, representing an increase of approximately HK\$8.9 million or 16.7% from approximately HK\$53.3 million for 4M2018. Although we have experienced revenue growth during the Track Record Period, we cannot assure you that our revenue will continue to increase at previous rates or at all, or that we will be able to operate profitably in future periods. Our limited operating history makes the prediction of future results of operations difficult, and therefore past revenue growth experienced by us should not be taken as indicative of our future performance. You should consider our business and prospects in light of the risks, uncertainties, expenses and challenges that we face.

Our major suppliers might opt to deal with our customers directly, alternatively our travel agent customers may source hotel rooms from each other, thereby bypassing us

During the Track Record Period, we purchased guaranteed or non-guaranteed number of hotel rooms from various hotel operators, and sold and distributed the hotel rooms to our customers. Our customers were mainly travel agents and corporate customers, which might overlap with the target customers of the hotel operators. Despite that the main distribution channel for hotel operators to sell hotel rooms is through wholesale travel agencies as disclosed in the paragraph headed “Industry overview — Market overview of the travel agent industry in Macau” in this prospectus, there is no assurance that the hotel operators will not cease to cooperate with us and directly conduct business with our travel agent customers who might also be wholesale travel agents, or with our retail customers directly. In such cases, our business and financial performance will be adversely affected.

In addition, according to the Ipsos Report, it is a normal industry practice for wholesale and retail travel agents in the tourism industry to source hotel rooms from each other as it is not possible for travel agents to have access to and have contractual relationship with every single hotel operator in Macau. There is no assurance that our travel agent customers will not source hotel rooms from other travel agents instead of from us. In such cases, our business and financial performance may be adversely affected.

RISK FACTORS

Our revenue was substantially generated from the sales and distribution of hotel rooms supplied by L’Arc Hotel Macau, and our business and results of operation may be adversely affected if (i) L’Arc Hotel Macau terminates or refuses to renew the relevant Hotel Rooms Guarantee Agreement or (ii) the renewed terms become less favourable to us

We have been selling and distributing hotel rooms supplied by L’Arc Hotel Macau. Our revenue was substantially generated from the sales and distribution of hotel rooms supplied by L’Arc Hotel Macau, which accounted for approximately 55.1%, 56.9% and 50.5% of our total revenue for FY2017, FY2018 and 4M2019, respectively.

We have established business relationship with L’Arc Hotel Macau since 2014, and the number of hotel rooms provided by L’Arc Hotel Macau has gradually increased from six hotel rooms per day to 157 hotel rooms per day on average as at 30 April 2019. The Hotel Rooms Guarantee Agreement we entered into with L’Arc Hotel Macau will expire on 31 July 2021. Either party to the Hotel Rooms Guarantee Agreements has the right to terminate the agreement by giving not less than 30 days’ written notice.

Our business, financial position and results of operation may be materially and adversely affected if the Hotel Rooms Guarantee Agreements with L’Arc Hotel Macau is terminated for whatever reason or is not renewed. There is also no assurance that the Hotel Rooms Guarantee Agreements will be renewed on the current terms, or at all.

If the terms or pricing of the hotel rooms of any renewed Hotel Rooms Guarantee Agreements become less favourable to us, our business, profitability, financial position and results of operations may also be materially and adversely affected.

We are committed to secure a guaranteed number of hotel rooms at Pre-determined Room Rates with various hotels operators, in particular, L’Arc Hotel Macau. We may suffer from a decrease in profits or record a loss from the sales and distribution of the guaranteed hotel rooms if we are unable to sell and distribute the hotel rooms at rates higher than their respective Pre-determined Room Rates or if L’Arc Hotel Macau reduces the number of hotel rooms sold to us

We cooperate with various hotel operators, particularly L’Arc Hotel Macau which was our largest supplier during the Track Record Period, to secure fixed numbers of guaranteed hotel rooms at Pre-determined Room Rates. For FY2017, FY2018 and 4M2019, the cost of guaranteed hotel rooms at Pre-determined Room Rates amounted to approximately HK\$81.5 million, HK\$115.8 million and HK\$43.2 million, respectively. Since we have entered into and intend to continue to enter into agreements with various hotel operators to secure fixed numbers of guaranteed hotel rooms at Pre-determined Room Rates with contract terms generally ranging from three months to three years, we are and will be required to purchase fixed numbers of guaranteed hotel rooms at Pre-determined Room Rates regardless of whether or not we are or will be able to sell and distribute the guaranteed hotel rooms at rates higher than their respective Pre-determined Room Rates, or at all. Given our Distribution Agreements and Cooperation Agreements contain profit and loss sharing arrangement, our Group shared losses of approximately HK\$1.7 million, HK\$1.8 million, HK\$0.7 million and HK\$0.3 million in aggregate being borne by our Group, arising from the sales and distribution of hotel

RISK FACTORS

rooms at loss or unsold rooms under Distribution Agreements and Cooperation Agreements for FY2017, FY2018, 4M2018 and 4M2019, respectively. In the event that we are unable to sell and distribute the guaranteed hotel rooms at rates higher than their respective Pre-determined Room Rates, or at all, we will suffer losses, which could materially and adversely affect our results of operations.

The demand for our guaranteed hotel rooms is sensitive to the market situation such as the global economic conditions or the popularity of L'Arc Hotel Macau. If there is any significant economic downturn or recession in the global economy or if there is any negative publicity associated with L'Arc Hotel Macau, the demand for our guaranteed hotel rooms may drop significantly, and failure to sell and distribute the guaranteed hotel rooms by us could have an adverse effect on our business and financial performance.

Furthermore, in the event that various hotel operators, which provide us with fixed numbers of guaranteed hotel rooms, fail to provide us with the agreed number of hotel rooms due to unforeseen circumstances, our business and financial performance may adversely be affected.

We sold and distributed a significant portion of the hotel rooms of L'Arc Hotel Macau through Customer A. If Customer A ceases to procure hotel rooms of L'Arc Hotel Macau from us and we are unable to find a replacement on a timely basis, we may not be able to sell and distribute the hotel rooms of L'Arc Hotel Macau secured by us and our operations and financial performance may be adversely affected

During the Track Record Period, we sold and distributed a significant portion of the hotel rooms of L'Arc Hotel Macau through Customer A under the Distribution Agreements. For FY2017, FY2018 and 4M2019, we sold and distributed approximately 44,000, 43,000 and 9,000 hotel rooms of L'Arc Hotel Macau through Customer A, representing approximately 84.7%, 68.0% and 49.4% of the total hotel rooms of L'Arc Hotel Macau sold and distributed by our Group for FY2017, FY2018 and 4M2019, respectively. For FY2017, FY2018 and 4M2019, we generated revenue of approximately HK\$53.9 million, HK\$63.2 million and HK\$14.9 million, respectively, through Customer A under the Distribution Agreements, representing approximately 45.8%, 38.2% and 24.0% of our total revenue, respectively.

Pursuant to the Distribution Agreements, Customer A has no contractual purchase commitment. However, under the Hotel Rooms Guarantee Agreement, our Group commits to purchase a fixed number of hotel rooms of L'Arc Hotel Macau from time to time. If Customer A ceases to procure hotel rooms from us, there is no assurance that we will be able to find a replacement on a timely basis, and thus we may not be able to sell and distribute the hotel rooms of L'Arc Hotel Macau secured by us and our operations and financial performance may be adversely affected.

Our revenue was substantially generated from or through Customer A and any decrease or loss of business from Customer A could adversely and substantially affect our operations and financial position

During the Track Record Period, our Group had reliance on Customer A, being our largest customer. During the Track Record Period, we entered into the Distribution Agreements for the sales and distribution of hotel rooms of L'Arc Hotel Macau and the Cooperation Agreements for the sales and distribution of hotel rooms other than those of L'Arc Hotel Macau with Customer A. We have

RISK FACTORS

derived a substantial portion of our revenue from and through Customer A. For FY2017, FY2018 and 4M2019, we generated revenue from Customer A, which accounted for approximately 35.0%, 19.2% and 21.5% of our total revenue, respectively, and we generated revenue through Customer A of approximately 45.8%, 38.2% and 24.0% of our total revenue, respectively. We expect to continue to derive a significant amount of our revenue from and through Customer A in the near future.

There is no guarantee that we can renew our Distribution Agreements and Cooperation Agreements with Customer A. Despite we are the major source of the hotel rooms of L’Arc Hotel Macau in the market and we have make significant efforts to expand our customer base, we cannot assure you that we can reduce our reliance on Customer A in the foreseeable future. Any change or deterioration in our relationship with Customer A may cause a significant adverse impact on our business, financial condition and results of operations.

Even if we manage to secure a substitute Selected Partner, it might take time and resources for us to develop the relationship with the new Selected Partner to a scale comparable to Customer A, and during such period, there may be disruption to our business operation.

Our upfront deposit paid to L’Arc Hotel Macau has not been adjusted upward since we first established business relationship with L’Arc Hotel Macau in 2014. Any upward adjustment of our upfront deposit to L’Arc Hotel Macau may adversely affect our financial position

Our Group first established business relationship with L’Arc Hotel Macau in 2014, and paid an initial upfront deposit of MOP200,000 (the “**Initial Upfront Deposit**”) to L’Arc Hotel Macau based on the deposit rate per hotel room and the actual number of hotel room secured by us, being six hotel rooms per day on average. Taking into account of our credit record in settling payments since the establishment of business relationship, L’Arc Hotel Macau did not adjust the Initial Upfront Deposit upward despite the number of hotel rooms supplied to our Group has subsequently increased. Despite that the Initial Upfront Deposit has not been adjusted since 2014, there is no assurance that L’Arc Hotel Macau will not adjust the Initial Upfront Deposit in the foreseeable future. In the event L’Arc Hotel Macau increases the required upfront deposit, we are obliged to pay the additional upfront deposit and our liquidity and financial condition may be materially and adversely affected. In addition, in the event we are unable to generate sufficient cash flow from our operations or otherwise unable to obtain sufficient funds to finance the payment of additional upfront deposit, our established business relationship with L’Arc Hotel Macau may be materially and adversely affected, and the guaranteed number of hotel rooms may be reduced which may in turn materially and adversely affect our revenue and profitability.

RISK FACTORS

We are dependent on our Selected Partners' business performance

As a travel agent that derives a significant portion of our revenue generated from the sales and distribution of hotel rooms through Selected Partners in Macau, our business performance will therefore, to a large extent, be affected by our Selected Partners' business performance. If there is any disruption to the operations of our Selected Partners or if their sales decline, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to the credit risks of our Selected Partners and other customers and we may not receive full and/or timely payment of our trade receivables

As at 31 December 2017 and 2018 and 30 April 2019, our trade receivables amounted to approximately HK\$17.8 million, HK\$17.4 million and HK\$24.3 million, respectively, representing approximately 45.1%, 36.2% and 47.5% of our total current assets as at the respective dates, respectively. Of which, approximately 75.5%, 82.8% and 84.1% of our trade receivables as at 31 December 2017 and 2018 and 30 April 2019 was attributable to our Selected Partners, respectively. If our Selected Partners and other customers delay or default on their payments, we may have to make additional provision for impairment or write off the relevant trade receivables, which in turn may adversely affect our liquidity, financial condition, results of operations and growth prospects.

Our revenue was mainly derived from the sales and distribution of hotel rooms in Macau and any increase in the supply of hotel rooms in Macau may adversely affect our revenue and profitability

During the Track Record Period, the revenue of our Group was mainly derived from the sales and distribution of hotel rooms in Macau. According to the Ipsos Report, there was an increase in supply of the hotel rooms in Macau at a CAGR of approximately 7.0% from 2013 to 2018. If the increase in the availability of hotel rooms in Macau exceeds the growth of the demand for hotel rooms in Macau, the demand for and/or market price of the existing hotel rooms may drop and our revenue and profitability may be materially and adversely affected.

Our business, financial condition and results of operations may be adversely affected by any increase in the cost of the hotel rooms or other operating costs

Certain types of costs in our services, such as costs of hotel rooms and cost of car rental services, are subject to volatility caused by external conditions, including changes in governmental policies. For FY2017, FY2018 and 4M2019, our cost of hotel rooms accounted for approximately 90.5%, 92.1% and 92.3% of our cost of sales and our cost of car rental services accounted for approximately 4.0%, 4.3% and 5.6%, of our costs of sales, respectively. In addition, according to the Ipsos Report, in December 2017, the number of light vehicles in Macau totalled 107,403 but there were only 15,303 parking spaces available in the 45 public parking lots, which indicated a significant shortage of parking space which may in turn result in an increase in our operating costs.

RISK FACTORS

We cannot assure you that our suppliers and landlords will continue to provide us with the hotel rooms and parking spaces at reasonable prices, or other costs will remain stable in the future. In addition, we may not be able to transfer some or all of the increase in costs to our customers. As a result, any increase or material fluctuation in the cost of our hotel rooms, cost of car rental services, parking spaces or other costs could have a material adverse effect on our business, financial condition and results of operations.

Our business and operating results may fluctuate significantly due to seasonality

Our Directors consider that our overall business and operating results may fluctuate significantly from time to time due to seasonal demand. During the Track Record Period, our business was generally higher during holiday and festival periods such as schools summer holidays, Christmas, Chinese New Year and Chinese National Day. Moreover, the demand for our hotel rooms may generally increase due to concerts, exhibitions and events in Macau. As such, our business and operating results may fluctuate significantly from time to time and comparison of operating results of different periods may not be meaningful. The results for a certain financial period of our Group are not necessarily indicative of the results to be expected for any other financial period.

We recorded net cash used in operating activities for FY2017. We cannot assure you that we will not experience any net cash used in operating activities again in the future

We recorded net cash used in operating activities of approximately HK\$1.0 million for FY2017. This was primarily attributable to (i) increase in trade receivables, deposits and prepayment of approximately HK\$11.9 million; (ii) increase in amount due from a director of approximately HK\$8.0 million; (iii) decrease in amount due to a director of approximately HK\$2.2 million; and (iv) increase in amounts due from related companies of approximately HK\$2.2 million. For detailed analysis on our cash flows, please refer to the paragraph headed “Financial information — Liquidity and capital resources — Cash flows” in this prospectus.

Notwithstanding that we recorded net cash generated from operating activities of approximately HK\$23.0 million, HK\$11.8 million and HK\$2.1 million for FY2018, 4M2018 and 4M2019, respectively, there is no assurance that our Group will not experience net cash used in operating activities again in the future.

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

RISK FACTORS

Our revenue was mainly derived from the sales and distribution of hotel rooms in Macau. Any sub-standard performance of the hotels may adversely affect our reputation

Our revenue was mainly derived from the sales and distribution of hotel rooms in Macau, and our Group has relied on the hotel operators to provide the hotel rooms and services to the occupants. The quality of hotel rooms and services provided by the hotel operators are not within our control, and our Group may not be able to respond to any sub-standard performance of the hotels promptly during the stay of the occupants. Notwithstanding our customers for hotel rooms mainly included Selected Partners and travel agents, the ultimate consumers of the hotel rooms are the occupants. If the occupants of the hotel rooms are dissatisfied due to the sub-standard performance of the hotels, it could adversely affect our reputation and demand for the hotel rooms sold and distributed by our Group, and may in turn adversely affect our business, financial condition and operating results.

Our Group may fail to effectively respond to the growing trend of independent travel

Our Directors consider that the success of our future business is dependent on our ability to offer services based on the changing market trends, expectations and other preferences of our existing and potential new customers. According to the Ipsos Report, there is a growing trend of independent travel instead of guided tours or travel packages and it is expected to negatively impact the travel agent industry and intensify competition. Since some of our customers are travel agents which primarily provide guided tours and/or travel packages, if our Group is unable to effectively respond to the changes of such market trend, our business, financial condition and results of operations may be adversely affected.

We rely on certain key personnel and are exposed to risks associated with retention and recruitment of competent personnel

Our success and growth are, to a significant extent, attributable to the strategies and vision of our Directors, in particular Mr. Choi, being the chief executive officer and the chairman of our Board, and the continuous contributions of our senior management team, which have a comprehensive understanding of our customers' requirements and play significant roles in our day-to-day operations as set out under the section headed "Directors, senior management and employees" in this prospectus. While we endeavour to provide a competitive remuneration package to our staff and ensure they are appropriately rewarded, the competition for competent personnel in the travel industry is intense and we may not be able to attract or retain the services of the key personnel for our business in the future. If any of our key personnel cease to be involved in our business in the future and we fail to timely find suitable replacements, our operations, growth prospects and profitability could be materially and adversely affected.

RISK FACTORS

Risks associated with our computer hardware or software system and data storage and potential computer system failure and disruptions

Part of our work is substantially carried out by computers and software such as a computer system to monitor daily sales operation and an accounting system for processing analysis of our operating and financial data. Our computer hardware, software and data storage are maintained by our employees. The computer servers of our Group are currently situated at our offices in Macau with restricted access only to authorised personnel. Our back-up facilities may experience malfunction in the event of a physical breakdown of or damage to our computer hardware, software and data storage, which may lead to a loss of data.

Despite that we have implemented security measures to our information technology system, there is no assurance that our Group has sufficient ability to protect our computer hardware, software and data storage from all possible damage, including telecommunications breakdown, electricity failure or other unexpected events. Any damage to our computer hardware, software and data storage will cause business interruptions to our Group, thus will directly and adversely affect our operating performance. Any damage to our computer hardware, software and data storage may have a material impact on our operating performance and reputation.

The network computer system of our Group may be vulnerable to the attack of computer viruses, worms, trojan horses, hackers or other computer network disruptions. Any failure in safeguarding our computer network system from these disruptions may cause the breakdown of our computer network system and/or leakage of confidential information, including the information of our business and our customers. There is no assurance that our computer network system is absolutely secure. Any failure in the protection of our computer network system from external threats may cause disruption to our operations and may damage our reputation for any breach of confidentiality to our customers and in turn, may indirectly and adversely affect the business operations and performance of our Group.

Our Group may not be able to implement our future plans after the Listing

Our Directors consider that the growth of our business and operation depends on, among other things, the proper execution of our future business plans. Some of our future business plans, as disclosed in the section headed “Future plans and use of proceeds” in this prospectus, are still in the preliminary stages of planning. Some assumptions in support of the said future plans are based on uncertain future events which may or may not occur as presumed. Our Group could not guarantee the proper implementation of our future plans. Accordingly, our business, profitability, financial condition and operations may materially and adversely affected if we could not successfully carry out the said future plans.

As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services in the fourth quarter of 2019. We have been liaising closely with different government authorities in Hong Kong in relation to the application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. For details of the requirements for operating the point-to-point cross-border transportation services, please refer to the section headed “Regulations” in this prospectus. There is no assurance that the

RISK FACTORS

Hong Kong and Macau governments will not impose new requirements and procedures for the provision of cross-border transportation services. In addition, there is no assurance that we will be able to fulfil any new requirements and procedures when they are promulgated. Any delay or failure to obtain fulfil any new requirements and procedures may hinder the extension of our car rental services to point-to-point cross-border transportation services.

Our insurance coverage may be insufficient to cover all risks and losses and we may need to absorb the losses by ourselves

During the Track Record Period, our Group has maintained various insurance policies to cover certain types of losses, damages and liabilities. However, there are certain types of losses such as personal accident, loss of money, public liability, theft or robbery and loss of property might not be covered by our insurance policies. In addition, the limitations and conditions imposed by the insurers could not cover all circumstances of all losses and damages which may be suffered by our Group. Further, the amount of coverage under each of the insurance policies may not be sufficient to cover all losses and damages and we may have to bear such losses, damages or liabilities by ourselves and our business operations and financial results may be adversely affected.

The actions of our employees may adversely affect our reputation

We cannot assure you that all the actions taken by our employees will meet our own standards, applicable laws and regulations and our customers' expectations, as it is difficult for us to effectively monitor all the actions of our employees at all times. In addition, there is also no assurance that our employees can resolve the complaints from our customers satisfactorily. We could be held financially liable for any inappropriate actions of our employees and our reputation could be materially and adversely affected by their actions, which could lead to a material adverse effect on our business, results of operations, and financial condition.

Our continuing success depends on our reputation and any damage to our reputation could materially and adversely affect our business and operating results

We believe our success in the past was dependent on our reputation established over the last four years of business. However, our reputation may be damaged by various factors including adverse publicity and customers' complaints regarding our products and services. Any damage to our reputation may have an adverse impact on our business, results of operations and prospects.

There is no guarantee that we can renew our existing licence and authorisation nor launch our point-to-point cross-border transportation services as scheduled

Our business operations in Macau are subject to the regulatory requirements under the provisions of the Decree Law no. 48/98/M of Macau and the Decree Law no. 52/84/M of Macau.

Under Decree Law no. 48/98/M of Macau, we are required to hold a valid licence issued by the MGTO to carry on business as a travel agent to operate our travel agent business. In addition, under Decree Law no. 52/84/M of Macau, we are required to obtain an authorisation issued by the MGTO to provide self-drive rent-a-car services. During the Track Record Period and up to the Latest Practicable Date, we have (i) obtained the material licence and authorisation for carrying on our

RISK FACTORS

business activities; and (ii) satisfied all criteria and requirement of licencing in Macau. The travel agent licence is valid for one year and is subject to renewal every year. However, renewability is subject to the fulfilment of the standard and requirements set out by the relevant regulatory authorities. We cannot guarantee that our licence will be renewed upon expiry and that our authorisation will not be revoked. If we are unable to renew our licence or our authorisation is revoked, our business, profitability and financial position may be materially and adversely affected. For details of the licencing and authorisation requirements for travel agents and the provision of self-drive rent-a-car services in Macau, please refer to the paragraphs headed “Regulations — Macau — Travel agent” and “Regulations — Macau — Self-drive rent-a-car service” in this prospectus.

Our Group has been granted three out of 40 permits by the Transport Bureau of Macau, each of which allows one vehicle to cross the HZMB. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of point-to-point cross-border transportation services between Macau and Hong Kong and have been liaising closely with different authorities in Hong Kong in relation to the requirements for the provision of our point-to-point cross-border transportation services. There is no assurance that the relevant licence will be obtained in the fourth quarter of 2019 as scheduled. For details of the requirements for operating the point-to-point cross-border transportation services, please refer to the paragraph headed “Regulations — Macau — Regulatory regime in relation to our business operation in Macau — Cross-border passenger transportation” in this prospectus.

The non-renewal, non-approval, revocation or suspension of the licence, permits or authorisation, or the imposition of any penalties, whether as a result of the infringement of regulatory requirements or otherwise, could have a material adverse impact on our business, financial condition and operating results.

In addition, according to the Ipsos Report, given the cross-border permits have only been recently launched, the Macau government will observe the performance after running a certain period of time before deciding whether further permits will be issued. Each permit for the provision of cross boundary car rental services issued by the Macau government has a validity of three years and can be renewed once, hence, bringing the maximum validity period of one permit to six years. Upon the expiry of the permit, the Macau government may make new arrangement. Despite that it is not promulgated that the Macau government has any plans of making any new issuance of permits, there is no assurance that the Macau government will not issue more permits to allow additional vehicles to cross the HZMB. In the event the Macau government issues more permits, it may have a material adverse effect on our business, financial condition and financial results when we commence our point-to-point cross-border transportation services.

Increased market competition may have a material adverse effect on our business, financial condition and operating results

The degree of competition of the travel industry in Macau is relatively high and has a large number of players since there is no significant entry barrier in the industry. As at 30 June 2019, there were approximately 227 licensed travel agents in Macau which provide travel-related products and services. We compete with other travel agents and vehicle rental businesses, some of which are specialised in certain products or may have a longer operating history, larger customer bases and/or

RISK FACTORS

greater financial, technical, marketing and other resources including service points. We cannot assure you that there will not be new entrants or that hotel operators will not enter into sales agreements with new travel agents which may compete with us. We also face competition from hotel operators which offer their hotel rooms and services directly to their customers.

Despite that as at 30 June 2019 the Macau government only issued 40 permits for crossing the HZMB and only four companies (including our Group) obtained the authorisations for providing self-drive rent-a-car services in Macau, there is no guarantee that the Macau government will not issue more permits or authorisations in the future, in which case we will face an increased level of competition for the point-to-point cross-border transportation business and self-drive rent-a-car services. In addition, any increase of radio taxi licences might lead to an increasing level of competition in Macau car rental services industry, which might undermine the profit margin of car rental services companies.

In order to maintain and improve our service standards as well as to respond to our competitors' technological advances, we would need to continue to improve and upgrade our systems, technology, networks and infrastructure which will require us to commit substantial financial, operational and technical resources. However, we may fail to use, implement or integrate such new technology and products effectively or at all, or may fail to adapt such technology, systems, network and infrastructure to our customers' requirements on a timely basis or at all.

There is no assurance that we will be able to remain competitive. We may not be able to respond effectively to our competitors' pricing strategies, technological advances, advertising campaigns, strategic partnerships and other initiatives. Failure to continuously offer quality products and services to meet our customers' demands and changing needs, or to develop and introduce new products or enhance existing products and services in a timely manner in response to the changing market conditions or consumer preferences may materially and adversely affect our market share. This may in turn adversely affect our business, financial conditions and operating results.

B. RISKS RELATING TO THE TRAVEL INDUSTRY

Our revenue was mainly derived from Macau and our sales performance is susceptible to changes in Macau as well as the PRC policies and economic environment

During the Track Record Period, our revenue was mainly generated from the Macau market. Our Group anticipates that sales in Macau will continue to represent the primary geographical source of our revenue in the future. However, the profitability of our business is dependent on, among others, a number of factors relating to the Macau market, such as the purchasing power of the population, the number of and the level of spending by tourists and other visitors, and legislation, regulations and government policies in relation to our business. Furthermore, economic instability has certain effect on the macroeconomics conditions, which would affect the customers' desire to spend.

According to the Ipsos Report, the PRC remained the top country of origin of visitors to Macau, contributing more than 60% of the total visitors to Macau from 2013 to 2018. Due to the integration and alteration of the political environment of the PRC and slowdown of Chinese economic growth, the total spending of visitors in Macau has a decline from approximately MOP61,749 million in 2014 to approximately MOP51,128 million in 2015. In 2017, supported by robust Chinese economic

RISK FACTORS

growth, there was a rebound in mainland Chinese visitors to Macau, which eventually drove up the total spending of visitors in Macau by approximately 16.4% from approximately MOP52,662 million in 2016 to approximately MOP61,324 million in 2017. Overall, the total spending of visitors in Macau fluctuated and it increased at a CAGR of approximately 0.7% over the period from 2013 to 2017.

As a result, our business may be materially and adversely affected in the event of any adverse or unforeseeable change in the economic conditions and policies in Macau and the PRC. There is no assurance assure that such changes will not occur in the future.

The travel industry is cyclical and particularly sensitive to economic conditions

The travel industry has been cyclical and affected by, among other factors, supply of and demand for hotel rooms, car rental services, the rate of economic growth, interest rates, inflation and political and economic developments. Deterioration in the global financial markets and economic conditions have, in the past, reduced, and could reduce, business and consumer travel activities. There may be uncertainties relating to the economic conditions and the demand for travel products and services in the future. Turbulence in the international financial markets and economies, and prolonged declines in business and consumer travel activities, may adversely affect our business, results of operations and future prospects.

Any outbreak or threatened outbreak of any severe contagious diseases could adversely affect our business and results of operations

Any outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome, avian influenza or H1N1 influenza), may materially and adversely affect the overall sentiment to travel products and the business environment in the travel industry, particularly if such outbreak is inadequately controlled. This in turn may materially and adversely affect the number of travellers visiting Macau and their frequency of travel. Our revenue was primarily derived from the sales and distribution of hotel rooms, the provision of car rental services and the sales and provision of air tickets and other ancillary travel-related products and services, as such any slowdown in the travel industry may materially and adversely affect our business and results of operations. In addition, if any of our employees are affected by any severe communicable disease, it may adversely affect or disrupt our operations and adversely affect our results as our Group may be required to close some or all of our offices and service points to prevent the spread of the disease. The spread of any severe communicable disease may also affect the operations of our customers and Selected Partners and this may in turn materially and adversely affect our business and/or results of operations.

Our business may be adversely affected in the event of natural disasters, such as typhoons, earthquakes, terrorist attacks, travel-related accidents or other catastrophic events in Macau

Natural disasters, terrorist attacks, travel-related accidents or other catastrophic events in Macau may materially and adversely affect the sentiment to travel to Macau which may lead to an adverse impact on our business, which is predominantly focused on the sales and distribution of hotel rooms, the provision of car rental services and the sales and provision of air tickets and other ancillary travel-related products and services in Macau. For example, following Typhoon Hato in August 2017, there was an immediate decline in the number of bookings for our products and services in Macau.

RISK FACTORS

The occurrence and timing of such events cannot be predicted or controlled by our Group and may have a significant and adverse impact on our business operations and operating results, particularly if we are, or are perceived to be, not reacting appropriately on the occurrence of any such event.

Our business may be adversely affected by the recent public assemblies and protests in Hong Kong

Since June 2019, there has been a series of public assemblies and protests in Hong Kong relating to the proposed amendments to the Fugitive Offenders Ordinance (Chapter 503). Those public assemblies and protests may have a negative impact on the number of travellers visiting Macau and the spending of the travellers visiting Macau, which may lead to reduced rates of hotel rooms offered by us and increase in number of unsold rooms. The occurrence and duration of such public assemblies and protests cannot be predicted or controlled by our Group and may have significant and adverse impact on our business operations and operating results.

Our Group may face competition from online travel agents

Our Group faces competition from online travel agents which have advantage in terms of cost, primarily saving on the rent in Macau and the additional cost of involving specialised staff for on-site sales. According to the Ipsos Report, online booking platforms often provide one-stop booking services for customers to compare and pre-book hotel rooms, transportation tickets and other travel-related products and services. The international accessibility of online travel agents and other online booking platforms together break the geographical barrier and provide similar services for foreigners who are about to visit Macau and also local residences who are planning to travel outbound, when compared with domestic travel agents. These platforms may facilitate visitors from all around the world to plan a trip beforehand by themselves, which become a threat to traditional domestic travel agents. The expanded competition brought by those platforms may adversely affect our performance and profitability.

Changes in any obligations arising from legislation, regulatory requirements and other standards of the travel industry to which our Group is subject may have material adverse effect on our business and results of operations

If the relevant authorities enact additional legislative and regulatory requirements (including rules, guidelines, codes of conduct and policies issued or adopted by governmental and regulatory authorities) or make changes or reformation to the existing laws or regulations that affect the travel industry in Macau and make the regulatory framework more onerous, we may be required to respond to any such changes and may need to change our business or operational practices and/or make changes on our products and services. This may require our Group to incur additional compliance costs. If the compliance costs increase and we are unable to pass on such increased costs to our customers in a timely manner, it may materially and adversely affect our business and results of operations. In addition, if our Group does seek to pass on such costs to the customers, this may reduce the price competitiveness of and, hence, customer demand for, our products and services. Further, any non-compliance with the legislation and regulations may lead to sanctions or liabilities, as well as

RISK FACTORS

damage to our brand name. There can be no assurance that our Group will be able to comply with all the new and applicable legislation and regulations or new changes to the existing laws or regulations, and this may have a material adverse impact on our business, results of operations, financial condition or prospects.

C. RISKS RELATING TO THE CAR RENTAL SERVICES INDUSTRY

If we are unable to obtain and maintain adequate parking spaces at reasonable costs, our growth opportunities may be adversely affected

As at the Latest Practicable Date, all of our 39 carparking spaces were on leased property in Macau, hence we have to compete for the limited parking spaces in Macau. According to the Ipsos Report, the average public parking fees are priced much lower than the average private parking fees. Despite that the Macau government's efforts to provide more public parking spaces, there is a significant shortage of parking spaces in Macau. As at 31 December 2017, the number of light vehicles in Macau totalled 107,403 but there were only 15,303 parking spaces available in the 45 public parking lots. If the shortage of parking spaces continues, it may increase our operating costs, which may in turn affect the profitability of our car rental services.

The profitability of car rental services in Macau may be adversely impacted by additional radio taxi licences

In September 2016, Macau Radio Taxi Services Limited was granted licences to operate 100 special radio taxis for eight years starting from 1 April 2017. Special radio taxi services may offer our potential customers with a similar service by providing online and telephone taxi hailing services in Macau. In August 2018, the Transport Bureau of Macau issued a tender for the operation of an additional 200 special radio taxis for eight years that require the taxi operators to use hybrids or environmentally-friendly vehicles with a minimum capacity of six passengers. The introduction of special radio taxis in Macau may decrease the demand for car rental services in Macau and therefore increase the level of competition in the car rental services industry in Macau, which might in turn undermine the demand for and profit margin of our car rental services and adversely affect our results of operations.

D. RISKS RELATING TO OUR SHARES AND THE SHARE OFFER

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained

Prior to the Share Offer, there was no public market for our Shares. The initial issue price range to the public for our Shares was the result of negotiations between us and the Sole Bookrunner (for itself and on behalf of the Underwriters), and it may not necessarily be indicative of the market price of our Shares after the Share Offer is completed. The Listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop, or if it does develop, will be sustained following the Share Offer, or that the market price of our Shares will not decline following the Share Offer.

RISK FACTORS

The liquidity and market price of our Shares following the Share Offer may be volatile

The price and trading volume of our Shares may be highly volatile. Factors such as variations in our revenue, earnings, cash flows, new products/services/investments, changes in senior management and general economic conditions could cause the market price of our Shares to change substantially. Any such development may result in large and sudden changes in the volume of and price at which our Shares will trade.

Future issues, offers, or sales of our Shares may adversely affect the prevailing market price of our Shares

Prevailing market price of our Shares may, after the Share Offer, be negatively impacted by future issue of Shares by our Company or the disposal of Shares by any of our Shareholders or the perception that such an issue or sale may occur. Our Shares held by our Controlling Shareholders are subject to certain lock-up arrangements for periods up to 24 months after the Share Offer. However, there is no assurance that our Controlling Shareholders will not dispose of any or all of our Shares they may own in the future after the expiration of the applicable lock-up periods. Any future sales, or perceived sales, of substantial amounts of our Shares by our Controlling Shareholders could cause the market price of our Shares to decline significantly as well as materially hinder our ability to raise capital in the future.

The Shareholders' interests in our Company may be diluted as a result of additional equity fund raising

We may issue additional Shares to raise additional funds in the future to finance our business expansion. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, then (a) the shareholding percentage of those existing Shareholders may be reduced and they may experience subsequent dilution; and/or (b) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

The price of our Shares may fall before trading begins due to the time lag between pricing and trading of the Offer Shares

The Offer Price will be determined on the Price Determination Date. The Offer Shares will not commence trading on the Stock Exchange until the Listing Date. Investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date. Accordingly, holders of our Shares bear the risk that the prices of our Shares could fall before trading begins and may be lower than the Offer Price due to adverse market conditions or other adverse developments which may occur between the Price Determination Date and the Listing Date.

The Controlling Shareholders have substantial control over us and their interests may not be aligned with the interests of the other Shareholders

Immediately following the completion of the Capitalisation Issue and the Share Offer, the Controlling Shareholders will continue to have substantial control over us. The Controlling Shareholders, by virtue of the controlling beneficial ownership of our share capital, will be able to

RISK FACTORS

exercise significant control and exert significant influence over our business or otherwise on matters of significance and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged and harmed.

E. RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS AND FROM OTHER SOURCES

Certain statistics and facts in this prospectus are derived from various official government sources and publications or other sources and have not been independently verified

This prospectus includes certain statistics and facts that are extracted from official government sources and publications or other sources. Whilst our Directors believe that it is prudent for us to rely on such statistics and facts, there is no assurance that such statistics and facts are free from error or mistake.

The statistics and facts from these sources have not been independently verified by our Group, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, or any of their respective directors, affiliates or advisers or any other party involved in the Share Offer and no representation is given as to their accuracy and completeness. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such statistics or facts.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking statements” in this prospectus for further details.

RISK FACTORS

You should read the entire prospectus carefully (including the risks disclosed) and we strongly caution you not to place any reliance on any information in press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer

You should read the entire prospectus carefully and rely solely upon the information in this prospectus in making your investment decisions regarding our Shares. You should note that undue reliance should not be placed on any forward-looking statements contained in this prospectus which may not occur in the way we expect or may not materialise at all as set out in the section headed “Forward-looking statements” of this prospectus. There may be prior to the publication of this prospectus, or subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media and/or research analyst coverage regarding us, our business, our industry and the Share Offer. We do not accept any responsibility for the accuracy or completeness of the information in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analysts regarding our Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information in this prospectus only and should not rely on any other information.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; (b) there are no other matters the omission of which would make any statement herein or this prospectus misleading; and (c) all opinion expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus and the Application Forms, and any information or representation not contained herein or therein must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates or their respective directors, agents, officers, employees or advisers or any other party involved in the Share Offer.

Details of the structure of the Share Offer, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it is correct as of any subsequent time.

OFFER SHARES ARE FULLY UNDERWRITTEN

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor, bookrun by the Sole Bookrunner and managed by the Joint Lead Managers. The Public Offer Shares are fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Shares are fully underwritten by the Placing Underwriters pursuant to the Placing Underwriting Agreement. For further information relating to the Underwriters and the underwriting arrangements, please refer to the section headed “Underwriting” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or around Wednesday, 18 September 2019 (Hong Kong time) or such later date as the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company may agree. If, for any reason, the Offer Price is not agreed between our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters) by Tuesday, 24 September 2019, the Share Offer will not proceed and will lapse.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

Each person acquiring the Public Offer Shares under the Public Offer will be required to confirm, and is deemed by his acquisition of the Offer Shares, to have confirmed that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the Application Forms and that he is not acquiring, and has not been offered any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdiction pursuant to registration with or authorisation by the relevant regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

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

APPLICATION FOR LISTING ON GEM

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM.

No part of the share or loan capital of our Company is listed or dealt in on any other stock exchange and no such listing of, or permission to deal in, any part of such share or loan capital is being or is proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange, then any allotment made on application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total issued share capital of our Company in the hands of the public.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 26 September 2019 under the stock code 8668. Shares will be traded in board lots of 10,000 each. Our Company will not issue any temporary document of title.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares on GEM or on any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for our Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek the advice from your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to our Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents or advisers or any other person involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

REGISTER OF MEMBERS AND STAMP DUTY

Our Shares may be registered on the principal register of members of our Company in the Cayman Islands or on the branch register of members of our Company in Hong Kong. All the Offer Shares will be registered on our branch register of members maintained in Hong Kong by our Hong Kong branch share register, Tricor Investor Services Limited. Only Shares registered on the branch register of members maintained in Hong Kong may be traded on GEM.

Dealings in our Shares registered on our Company's branch register of members in Hong Kong will be subject to Hong Kong stamp duty.

Unless our Company determines otherwise, dividends payable in Hong Kong dollars in respect of our Shares will be sent by ordinary post at our Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

LANGUAGE

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, this prospectus contains translation for the convenience of the reader at the rate of HK\$1 = MOP1.03 for HK\$ into MOP. The translation are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in HK\$ or MOP can be or could have been at the relevant dates converted at the above rates or any other rates at all.

ROUNDING

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Address	Nationality
------	---------	-------------

Executive Directors

Mr. Choi Wai Chan (蔡偉振先生) (Chairman of our Board and chief executive officer of our Group)	Rua. Central Areia Preta Block 1, Floor 19, Flat A Ed. The Residencia Macau	Chinese
---	--	---------

Mr. Leong Tat Meng (梁達明先生)	Rua. Central da Areia Preta Tower 2, Floor 16, Flat H Macau	Chinese
-------------------------------	---	---------

Independent Non-executive Directors

Mr. Sou Sio Kei (蘇兆基先生)	Avenida Panoramica Lago Nam Van Block 2, Floor 10, Flat H Wu Keng Hou Teng Macau	Chinese
----------------------------	---	---------

Mr. Rodrigues Cesar Ernesto (施力濤先生)	Avenida Dos Jardins Do Oceano Lily Court, 11 Andar A Taipa Macau	Chinese
---	---	---------

Mr. Hu Chung Ming (胡宗明先生)	Flat E, 16/F, Tower 6 Vision City 1 Yeung Uk Road Tsuen Wan New Territories, Hong Kong	Chinese
------------------------------	--	---------

For further information of our Directors, please refer to the section headed “Directors, senior management and employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED IN THE SHARE OFFER

Party	Name and Address
Sole Sponsor	Lego Corporate Finance Limited Room 1601, 16/F, China Building 29 Queen's Road Central Hong Kong
Sole Bookrunner	Lego Securities Limited Room 301, 3/F, China Building 29 Queen's Road Central Central, Hong Kong
Joint Lead Managers	Lego Securities Limited Room 301, 3/F, China Building 29 Queen's Road Central Central, Hong Kong Great Roc Capital Securities Limited 44/F, Convention Plaza Office Tower 1 Harbour Road Wan Chai, Hong Kong
Co-Managers	Bonus Eventus Securities Limited Room 1206, 12/F Harcourt House 39 Gloucester Road Wanchai, Hong Kong Canfield Securities Company Limited Unit 4201-05 COSCO Tower 183 Queen's Road Central Hong Kong First Fidelity Capital (International) Limited Room 908-909, 9/F Great Eagle Centre 23 Harbour Road Wanchai, Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law</i> ONC Lawyers 19th Floor Three Exchange Square 8 Connaught Place Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

	<i>As to Macau law</i> Advogado Leong Hon Man Avenida da Praia Grande n.º 409 China Law Building 12.º andar, Macau
	<i>As to PRC law</i> Tian Yuan Law Firm 10th Floor China Pacific Insurance Plaza B 28 Fengsheng Lane Xicheng District, Beijing
	<i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central, Hong Kong
Legal advisers to the Sole Sponsor and the Underwriters	<i>As to Hong Kong law</i> Wong Heung Sum & Lawyers Rooms 911-912, 9/F Wing On Centre 111 Connaught Road Central Hong Kong
Auditors and reporting accountants	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Compliance adviser	Lego Corporate Finance Limited Room 1601, 16/F, China Building 29 Queen's Road Central Hong Kong
Industry consultant	Ipsos Limited 22/F, Leighton Centre 77 Leighton Road Causeway Bay Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters	Unit P, 9th Floor Centro Comercial Cheng Feng Alameda Dr. Carlos d'Assumpção no. 336-342 Macau
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Room 1201, 12th Floor Dawning House 145 Connaught Road Central Hong Kong
Company's website	www.yinghaiholding.com <i>(Note: the information contained in this website does not form part of this prospectus)</i>
Company secretary	Mr. Ng Shing Kin (<i>FRM, HKICPA</i>) Room 1201, 12th Floor, Dawning House 145 Connaught Road Central Hong Kong
Authorised representatives <i>(for the purpose of the GEM Listing Rules)</i>	Mr. Ng Shing Kin Room 1201, 12th Floor, Dawning House 145 Connaught Road Central Hong Kong Mr. Choi Wai Chan Rua. Central Areia Preta Block 1, Floor 19, Flat A Ed. The Residencia Macau
Compliance officer	Mr. Choi Wai Chan Rua. Central Areia Preta Block 1, Floor 19, Flat A Ed. The Residencia Macau
Audit committee	Mr. Hu Chung Ming (<i>Chairman</i>) Mr. Sou Sio Kei Mr. Rodrigues Cesar Ernesto
Remuneration committee	Mr. Sou Sio Kei (<i>Chairman</i>) Mr. Rodrigues Cesar Ernesto Mr. Hu Chung Ming

CORPORATE INFORMATION

Nomination committee	Mr. Rodrigues Cesar Ernesto (<i>Chairman</i>) Mr. Sou Sio Kei Mr. Hu Chung Ming
Principal share registrar	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong branch share registrar	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal bankers	Bank of China Macau Branch Avenida Doutor Mario Soares Bank of China Building Macau Industrial and Commercial Bank of China (Macau) Limited Shop 002, 006, 007, 008, 009 Macau Landmark 555 Avenida da Amizade Macau

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report prepared by Ipsos, which was commissioned by us. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer other than Ipsos, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.

SOURCE OF INFORMATION

We have commissioned Ipsos, an independent industry research company, to conduct an analysis of, and to report on, market landscape and competitive analysis of the travel agent industry in Macau and Hong Kong, at a fee of HK\$395,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company which conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence and which has been engaged in a number of market assessment projects in connection with initial public offerings in Hong Kong. Ipsos is wholly-owned by Ipsos Group S.A. which was founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999. Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information in the Ipsos Report is derived from data and intelligence obtained by (i) conducting desk research covering official government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders and industry experts. The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section. Except as otherwise noted, all of the information, data and forecast contained in this section are derived from the Ipsos Report, various official government publications and other publications.

INDUSTRY OVERVIEW

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are used in the Ipsos Report:

- (1) The economy of Macau and the PRC will not experience significant and substantial recession in near future; and
- (2) The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the tourism industry and travel agent industry in Macau, and car rental services industry in Macau and the PRC during the forecast period.

MACROECONOMIC OVERVIEW OF MACAU

In general, the GDP of Macau was undergoing economic recovery in 2017 and recorded GDP of approximately MOP395.2 billion in 2017 after a decrease for four consecutive years from approximately MOP471.7 billion in 2013 to approximately MOP362.3 billion in 2016. The decline was principally owing to the integration and alteration of political environment and economic slowdown in Mainland China which discouraged tourism and entertainment and leisure spending in Macau from Chinese visitors.

The GDP of Macau is expected to slowly recover from approximately MOP420.1 billion in 2018 to approximately MOP517.3 billion in 2022 at a CAGR of approximately 5.3%, as a result of expected growth in the gaming industry and the construction industry.

OVERVIEW OF THE TOURISM INDUSTRY IN MACAU

Recent development

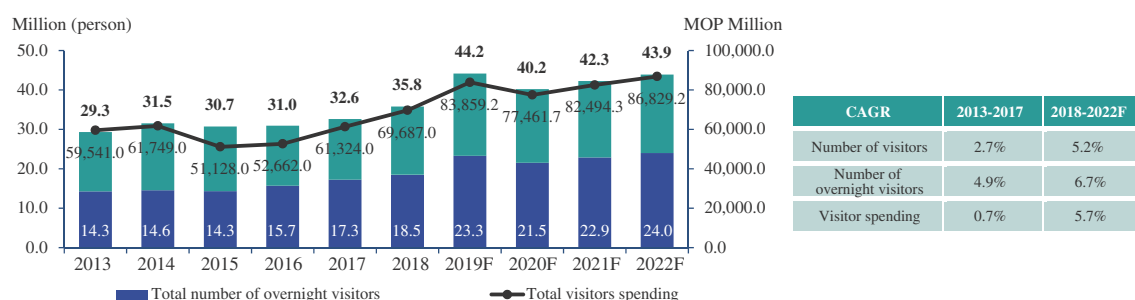
Macau is a popular international tourist destination which was ranked the fourth most visited city in Asia in 2017, totalling approximately 32.6 million tourist arrivals in 2017. The tourism industry has been one of the key contributors to Macau's economic development, which accounted for approximately 62.2% of Macau's total GDP on average during the period from 2013 to 2017. The total number of visitors in Macau increased from approximately 29.3 million in 2013 to approximately 35.8 million in 2018, at a CAGR of approximately 4.1%. In the entire tourism industry in Macau, gaming industry has played an important role to attract a large number of Mainland Chinese tourists due to Macau's distinct legal right to operate gaming activities in Mainland China, and the introduction of Free Individual Travel Scheme in 2003, which relaxed the visa policy for Mainland Chinese tourists to visit Macau.

Tourists from Mainland China remained the largest group of visitors in Macau during 2013 to 2018, which contributed more than 60% of the total number of visitors. The decrease in number of visitors in 2015 as compared to 2014 was mainly attributable to a decrease in number of tourists from Mainland China of approximately 4.2%. Total visitor spending in Macau fluctuated during the period from 2013 to 2018, which was mainly attributable to the number of visitors in Macau and their consumption power. The integration and alteration of political environment in Mainland China and

INDUSTRY OVERVIEW

restriction on Renminbi remittance and withdrawal in Macau has discouraged some high spending tourists from Mainland China spending on casinos, luxurious hotels and retail stores in Macau. It is expected that the number of visitors to Macau will increase during the forecast period between 2019 and 2022 after the HZMB was completed in 2018.

Total number of visitors, overnight visitors and total visitor spending in Macau from 2013 to 2022



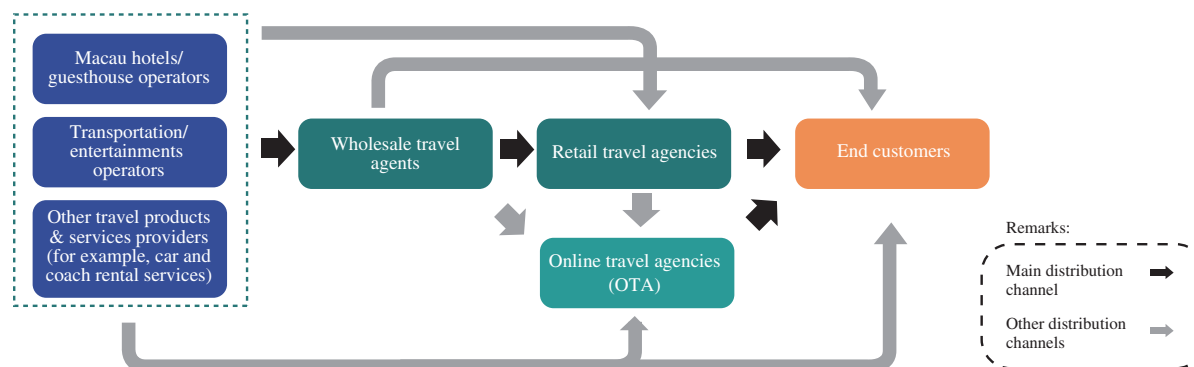
Note: "F" denotes forecast figures.

Source(s): DSEC Macau; Ipsos Research and Analysis

From 2013 to 2017, the total number of visitors to Macau showed a fluctuating trend, but generally remained stable at around 30 million visitors per year. Overall, the total number of visitors to Macau increased from approximately 29.3 million in 2013 to approximately 32.6 million in 2017, representing a CAGR of approximately 2.7%. Total number of visitors is projected to surge significantly by approximately 8.4 million visitors in 2019 as compared to 2018, which is significantly higher than growth rate in the historical period. According to DSEC statistics, the number of visitors increased significantly in the fourth quarter of 2018 and the increase remained strong in the first quarter of 2019, which was mainly attributable to the completion of HZMB in October 2018. Considered as an important infrastructure project, the HZMB attracted more tourists from Mainland China to visit Macau in the short-run, thus deriving a significant increase in the number of visitors in Macau in 2019. From 2020 to 2022, the increase in number of visitors is expected to normalise to match with the projection in the Macau Tourism Industry Development Master Plan ("**Master Plan**") with a CAGR of approximately 4.5%.

MARKET OVERVIEW OF THE TRAVEL AGENT INDUSTRY IN MACAU

Value chain of the travel agent industry in Macau



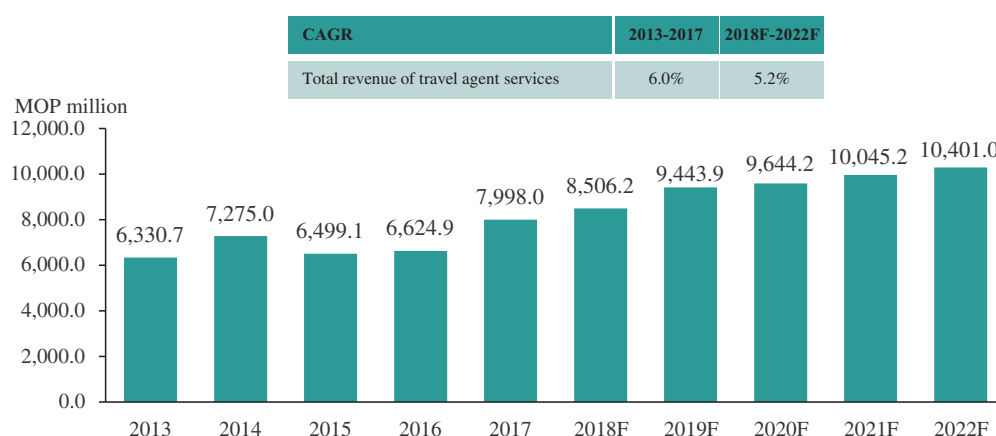
INDUSTRY OVERVIEW

Supply chain of the travel agent industry typically involves (i) suppliers of travel products and services, such as rooms from hotels; (ii) travel agents with a focus on wholesale or retail business, also online travel agents (OTAs); and (iii) end customers of travel products. The main distribution channel of suppliers such as hotel operators is through wholesale travel agencies, while retail travel agents and OTAs are other alternative distribution channels. In particular, the main distribution channel for hotel room selling in the travel agent industry, which is composed of licensed entities that carry out business of travel agency services, involves wholesale travel agents selling to retail travel agencies the hotel rooms they purchased from hotel operators at a designed rate with contractual terms. The contractual terms involved between hotels and wholesale travel agents depends on the operation size of the hotels. Large-scale hotels (with 1,000 rooms or above) generally distribute around 60% to 70% of their rooms through their associated wholesale agents and small to medium-scale hotels (with less than 1,000 rooms) distribute about up to 80% to 90% of their rooms to wholesale travel agents. Usually, wholesale travel agents are required to pay an upfront deposit to hotel operators to secure the hotel rooms, and the amount of the deposit varies depending on the bargaining power between hotel operators and the wholesale travel agents.

However, it is not an industry norm for wholesale travel agents to require upfront deposits and/or bank guarantees from retail travel agents. In the travel agent industry in Macau, the majority of the hotel room transactions between two travel agents do not require any deposit or bank guarantee. Upfront deposits or bank guarantees are often required between transactions between hotel operators and wholesale travel agent, which reflect their financial capability from placing deposits or bank guarantees to secure rooms for distribution services from hotel operators.

The total number of licensed travel agents increased from 211 agents in 2013 to 250 agents in 2015, followed by a decrease to 209 agents in 2016 and slight recovery to 210 agents in 2017. The fluctuation was principally caused by counting adjustments of number of travel agents by DSEC Macau beginning in 2016. Also, the fluctuating numbers of inbound visitors on package tour and outbound residents using services of travel agents have impacted the number of travel agents in Macau throughout the period of 2013 to 2017.

Total revenue of the travel agent industry in Macau from 2013 to 2022



Note(s): "F" denotes forecast figure

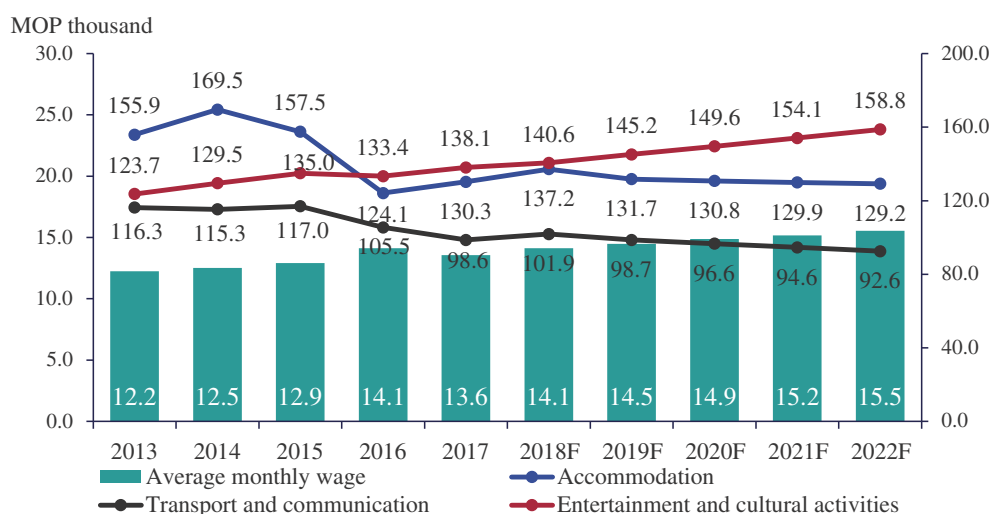
Source(s): DSEC Macau; Ipsos Research and Analysis

INDUSTRY OVERVIEW

The total revenue of travel agent services in Macau fluctuated from 2013 to 2017, with an overall CAGR of approximately 6.0%. The fluctuation is directly associated with the overall performance of the tourism industry in Macau, such that the decrease in number of tourists and total tourist spending contributed to the downturn in the travel agent industry from 2014 to 2015. The performance correlated with the three key income sources of travel agents in Macau is mainly affected by the demand for package tours, hotel reservation service and passenger transportation tickets booking services, in which these three main sources contributed more than three-quarters of total travel agent revenue in 2017.

From 2018 to 2022, the revenue of travel agents is expected to increase from approximately MOP8,506.2 million in 2018 to approximately MOP10,401.0 million in 2022 at a CAGR of approximately 5.2%. This is mainly driven by Macau's government's initiatives and upgraded infrastructure, including the opening of HZMB. According to the Master Plan, for a high visitor growth scenario, the number of tourist arrivals is expected to grow by approximately 3% to 5% per annum till 2025, thus leading to an expected growth in demand for travel agent services. The forecasted growth per annum is slower than the historical CAGR of approximately 6.0% due to the expected increase in direct competition from online travel agents (OTAs) with growing internet penetration.

Average monthly wage and price trend of key travel products in the travel agent industry in Macau from 2013 to 2022



Note 1: Year ended 30 September 2010 as base year.

Note 2: Tourists price index of "Transport and communication" is recorded as a grouped item by DSEC Macau which cannot be separated. According to DSEC Macau, from 2013 to 2017, annual total receipts of communication industry in Macau was equal to less than 30% of total receipts of transportation industry. Therefore, above price index of "transport and communication" should be principally reflecting the price trend of transportation costs in the travel agency industry in Macau.

Note 3: "F" denotes forecast figures.

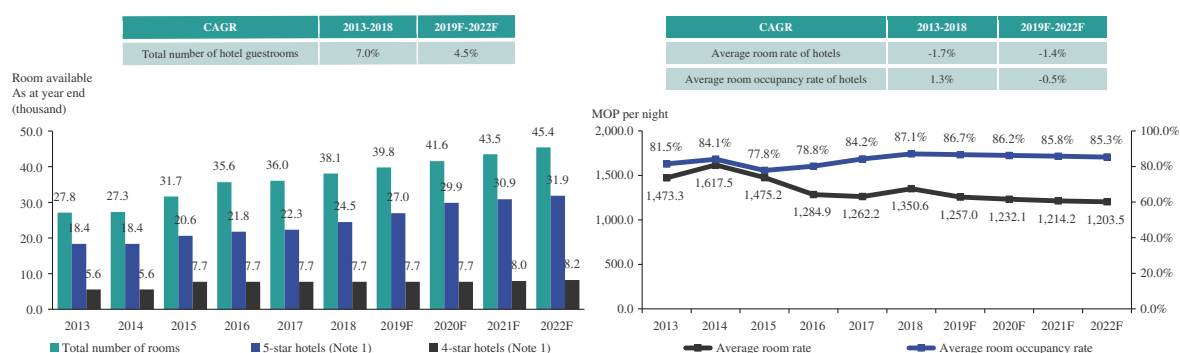
Source(s): DSEC Macau; Ipsos Research and Analysis

The average monthly wages of employee of the travel agent industry in Macau increased from approximately MOP12,249.4 in 2013 to approximately MOP14,118.8 in 2016, then decreased to approximately MOP13,557.0 in 2017, with an overall CAGR of approximately 2.6% from 2013 to

INDUSTRY OVERVIEW

2017. It is expected to grow gradually from approximately MOP14,118.3 in 2018 to approximately MOP15,548.9 in 2022. From 2013 to 2017, the price index of hotel rooms and transport and communication experienced a decline, while that of entertainment and cultural activities climbed gradually, which indicated the trend of costs of products in the travel agent industry as products are being marked up based on their wholesale prices at a stable range of percentages. Price trends of hotel rooms and transport and communication dropped along with the downturn of the tourism industry in Macau from 2014 to 2016 in a bid to attract tourists, while the price of hotel rooms rebounded slightly in 2017 attributed to rebounded number of tourists and improved overall tourism industry performance in Macau. During the forecast period between 2018 and 2022, the price trend of entertainment and cultural activities is expected to maintain a gradual growth due to growing attractiveness of Macau for international performers to hold concerts and other exhibitions. The accommodation and transportation price is projected to fall along with increasing number of visitors traveling to Macau via land transportation as increasing visitor arrivals via land transportation in Macau will reduce average cost of transport tickets for travel agents given that land transport tickets are cheaper than sea and air transport tickets. It is expected that price trend of hotel rooms will decrease gradually given that (i) several large-scale 5-stars hotels in Macau will commence operations from 2019 to 2022; and (ii) hotels tend to lower room rate to maintain flow of visitors and attract visitors to spend more on entertainment and retail activities provided in their hotels due to increasing competition.

Total number of guestroom, average room occupancy rate and room rate of hotels in Macau from 2013 to 2022



Note 1: As reference to the official rating of Macau Travel Authority

Note 2: "F" denotes forecast figure.

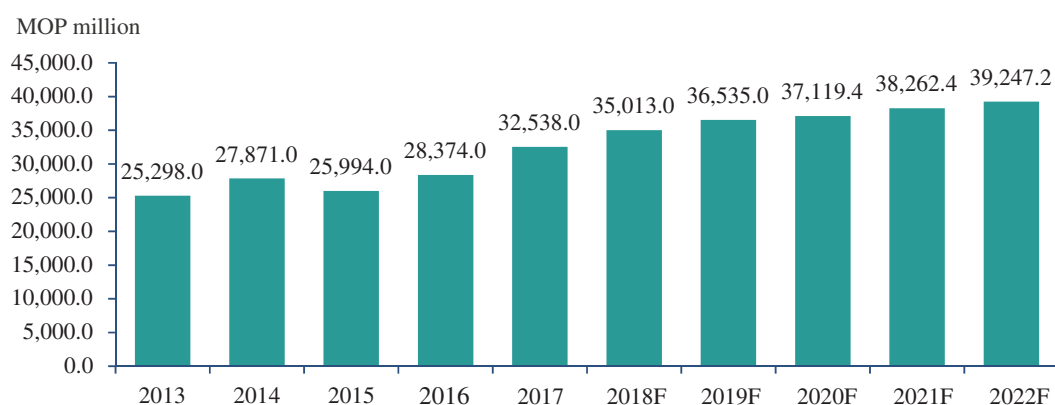
Source(s): DSEC Macau; Ipsos Research and Analysis

Total number of rooms available, including all rooms from hotels and guestrooms in Macau, increased from approximately 27,800 per day as at 31 December 2013 to approximately 38,700 per day as at 31 December 2018 at a CAGR of approximately 6.8%. The increasing number of operating hotels and guestrooms establishments, particularly in the constantly developing Cotai area of Macau, has increased the supply of hotel rooms in Macau. It also partially led to dropping average room rates since 2014 as a result of price competition among hotels in Macau. During the forecast period from 2019 to 2022, the total number of hotel rooms is expected to increase at a CAGR of approximately 4.5%. The number of hotel rooms is expected to be mainly driven by potential commencement of operation of several large-scale 5-stars hotels in 2019 and 2020. According to Master Plan, hotel rooms in Macau is forecasted to reach 51,900 a day under modest visitor growth scenario in 2025.

INDUSTRY OVERVIEW

Average room occupancy rate of hotels in Macau picked up along with the recovery of number of tourist inflow since 2015 and reached approximately 87.1% in 2018 after the sharp decline from approximately 84.1% in 2014 to approximately 77.8% in 2015. Besides the downturn of Macau tourism industry in 2015, the climbing rooms supply due to the launch of large-scale new hotels such as Galaxy Macau Phase II and Studio City Macau was another key reason which led to such sharp decline of average room occupancy rate of hotels in Macau. During the forecast period from 2019 to 2022, it is expected that due to commencement of operations of ten large-scale new 5-stars hotels in Macau, the supply of hotel rooms will increase, which leads to potential price competition on room rate and an increasing demand for hotel rooms distribution services from wholesale travel agents and promotion activities to increase occupancy rates of hotels. All of the ten new 5-stars hotels expected to commence operations from 2019 to 2022 are located in Cotai, and none of them is located in Macau Peninsula.

Total revenue of the hotel industry in Macau, 2013 to 2022



Note 1: “F” denotes forecast figure.

Source(s): DSEC Macau; Ipsos Research and Analysis

The revenue of the hotel industry in Macau increased from MOP25,298.0 million in 2013 to MOP32,538.0 million in 2017 at a CAGR of approximately 6.5%, mainly owing to the increase in the number of overnight visitors, with the slight fluctuation from 2014 to 2015 caused by changes in political environments and economic conditions in Mainland China. The revenue of the hotel industry in Macau is forecasted to increase at a CAGR of approximately 2.9% from 2018 to 2022. The gradual growth during the forecast period is largely attributed to gradual growth of hotel room sales and stably growth of other revenue sources such as food and beverages services and rental of spaces of malls, showrooms and MICE venues. The projected declining average room rate due to potential price competition between hotels in Macau is expected to slow down the growth of revenue of hotel room sales and hence impact the forecast growth of total revenue of hotel industry in Macau.

Future development

Online booking platforms include both online platforms developed by traditional travel agents and OTAs, which provide convenient one-stop booking service of travel products. As more traditional agents expand their sales channels to online platforms, they would be able to tap into the online sales market. Even though hotels are increasingly selling rooms directly to customers through their own

INDUSTRY OVERVIEW

online platforms, two and three-stars hotels, new hotels and small to medium-scale hotels which mostly provide less than 1,000 rooms per day continue to rely on travel agents attributed to limited marketing and advertising resources. While OTAs are increasingly popular due to extended customer reach, traditional travel agents would maintain their competitive advantage in the value of their after-sales services such as in-person support for last-minute changes in travel plans and the vast and long-term cooperation established with hotels.

COMPETITIVE LANDSCAPE OF THE TRAVEL AGENT INDUSTRY IN MACAU

Our Company is a wholesale licensed travel agent mainly focusing on the provision of business-to-business domestic travel services to other travel agents.

The degree of competition is relatively high for the travel agent industry in Macau as the industry was fragmented with 227 licensed travel agents as at 30 June 2019, according to statistics of the MGTO. A majority of the travel agents had a relatively small percentage of market share in the industry. Travel agents are supervised by the MGTO and there is a licensing requirement to operate as a travel agent in Macau.

According to the Ipsos Report, five major players in the travel agents industry in Macau in 2018 (in terms of reputation of the agents in the industry and range of service provided) and their respective backgrounds are as follows. Due to lack of sufficient publicly accessible information, the ranking of our Group and the respective market share of the following market players in the travel agent industry in Macau were not provided in the Ipsos Report.

Name of Company	Listing status	Overview	Range of products and services
Company A	Private	The company provides broad range of travel products and services in Macau.	Sales and distribution of travel packages; hotels booking; transport tickets booking; entertainment tickets booking; dining bookings; car rental
Company B	Private	Carries out travel agent business in Macau.	Sales and distribution of travel packages; hotels booking; transport tickets booking
Company C	Private	The company is one of the largest Macau travel agent that provides both business-to business and business-to-customer services.	Sales and distribution of travel packages; transport tickets booking, entertainment ticket booking, visa booking

INDUSTRY OVERVIEW

Name of Company	Listing status	Overview	Range of products and services
Company D	Private	The company is a member of International Air Transport Association (IATA). The group owns 29 travel agents in Hong Kong, Mainland China and Macau.	Sales and distribution of travel packages; transport tickets booking, sim card booking, dining tickets booking, car rental
Customer A	Private	The company engages in sales of travel products and services through both business-to-business and business-to-customer channels. The company has focused on enriching range of hotel rooms and other products while it does not offer tours or travel packages.	Hotels booking; transport tickets booking; entertainment tickets booking; dining bookings, car rental

Source(s): Ipsos Research and Analysis

Our Group recorded revenue (excluding the revenue generated from the Multi-purpose Car Rental Services) of approximately HK\$117.6 million for FY2017 and approximately HK\$160.3 million for FY2018, accounting a share of approximately 1.5% and 1.9% to the total revenue of the travel agent industry in Macau. For the sales and distribution of hotels rooms in Macau, our Group accounted for a market share of approximately 0.9% and 1.1% in terms of number of hotel rooms in Macau sold and distributed for FY2017 and FY2018, respectively, given that the daily number of hotel rooms available, including guesthouses, in Macau as at 31 December 2017 and 2018 were approximately 36,000 and 38,000 per day.

However, the market size of wholesale travel agent industry in Macau is not available, given that: (i) there is no licence requirement or restriction in Macau for a registered travel agent to only provide either wholesale or retail services, therefore all registered travel agents in Macau can provide either or both services; and (ii) there is no available information to accurately assess the number of hotel rooms being sold through wholesale travel agent, retail travel agent, direct selling, or other sales channels. Although wholesale travel agent remains the most important channel for hotel room selling, retail travel agent can also purchase small amount of rooms from hotel operators and resell to other agents for non-distribution purpose, such as offloading unmarketable rooms to other agents. Therefore, market size of wholesale travel agent service is not available.

INDUSTRY OVERVIEW

Market drivers and opportunities

Macau is planned to diversify tourism products which will drive up demand for services provided by travel agent industry

The government is diversifying Macau's non-gaming tourism products, such as devising the Master Plan to promote Macau as a City of Gastronomy. The plan mainly focuses on assessing current performance and planning for improvements in the aspects of enhancement of tourism related goods and services quality, establishment of urban development and tourism carrying, and industry cooperation within and beyond traditional tourism related industries for enhancing economic diversification and competitiveness. These efforts will raise Macau's reputation as a diverse travel destination and attract a wider source of visitors, leading to higher demand for travel agent services, in particular multi-destination tour packages, hotel reservations and tourists transportation services in terms of hotel reservation services. It is expected that the demand for rooms distribution services provided by wholesale travel agents will increase along with the commencement of operations of several large-scale hotel projects in the coming years in Macau. During the forecast period from 2019 to 2022, the number of hotel rooms in Macau is expected to increase from approximately 39,800 to 45,400, and occupancy rate of hotel rooms is projected to slightly decrease from approximately 86.7% to 85.3%.

The Macau government's effort in promoting multi-destination travel and enhancing infrastructure supports

The development of the Guangdong-Hong Kong-Macau Bay Area and the Belt and Road initiative led to frequent joint promotion of cities through events like destination promotions and exhibitions, which is expected to raise Macau's reputation as a joint-travel destination and attract more tourists. Besides, the opening of the HZMB in October 2018 serves as a new fast connection between the three places. Running alongside Hong Kong's international airport, travel time from Hong Kong's international airport to Macau is shortened to around 45 minutes. The bridge does not only project to boost both inflow and outflow tourism of Macau, but also create demand for car rental pick up services offered by travel agents.

Entry barriers

Established supplier and customer relationships

Suppliers and corporate customers of travel products in the travel agent industry in Macau, such as hotels and casinos, often collaborate only with travel agents that have a long-term and credible relationship. It is also partially because the products and services of travel agents are often provided to high spending clients, therefore hotels and casino tend to have assurance on products and services quality. Eventually, requirement of established relationship with hotels, casino and other travel service and product providers creates the largest barrier that prevent new entity from entering the travel agent industry in Macau.

INDUSTRY OVERVIEW

Financial requirement

A certain amount of capital would be locked up as deposit to hotel operators when travel agents engage with hotel operators in direct agreement for hotel rooms distribution and sales. The amount of deposit varies in a range from MOP several tens thousands to several hundred thousands, depending on the number of rooms that the travel agents plan to secure from hotels. This financial requirement is particularly for wholesale travel agents which often engage with hotel operators for rooms distribution services.

Higher entry barrier to establish a business-to-business travel agent which negotiate directly with travel products operators

Although there is no licence or regulation barrier for travel agents to either enter the industry as business-to-business or business-to-customer agents, it is considerably more difficult to establish a business-to-business travel agent which tend to directly negotiate with hotels and other travel products operators as the first layer travel agents in the industry. It often requires stronger financial capability, proven track record, industry reputation and scale of operators and secure larger number of travel products, especially hotel rooms.

MARKET OVERVIEW OF THE CAR RENTAL SERVICES INDUSTRY IN MACAU

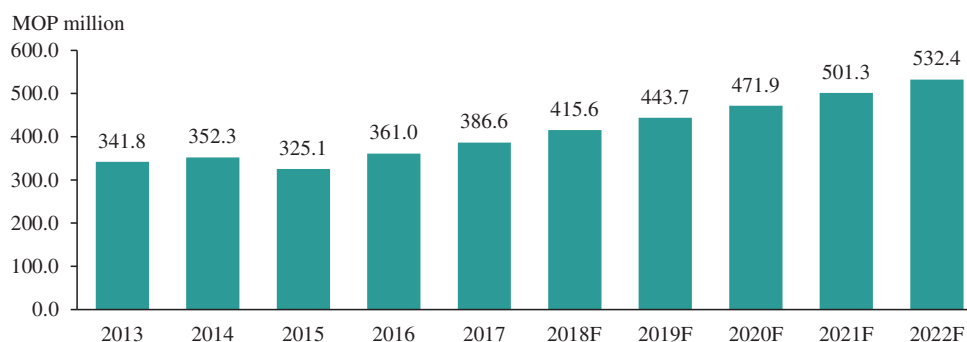
Macau

The car rental services in Macau can be generally categorised by types of purpose, namely tourism and transportation purposes and can be provided by chauffeur driven and self-drive. Chauffeur driven is where a driver is hired to transport a passenger between destination or on an hourly basis, whereas self-drive rent-a-car services do not include a driver. In 2018, the ratio of chauffeur driven services and self-drive rent-a-car services provided in the car rental services industry in Macau was approximately 78% and 22%. While Macau positions itself as a “World Centre of Tourism and Leisure”, the “Tourism Quality in Macau” survey conducted in 2017 by the Macau’s Tourism Department ranked Macau as an area of transportation with the lowest satisfactory level among visitors. Visitors commonly encounter issues such as trouble hailing a taxi, a lack of comprehensive public transportation infrastructure that connects different parts of the city and bus overcrowding in Macau. Along with increasing per capita disposable income, car rental is regarded as an alternative among visitors who prefer a more comfortable and convenient transportation to travel in Macau. Besides individual customers, car rental operators also rent their car fleets to corporate customers such as hotels and tour operators to transport their valuable clients. Measuring demand from both individual and corporate customers, the revenue of in-city car rental services industry in Macau recorded an increase from approximately MOP341.8 million in 2013 to approximately MOP352.3 million in 2014, but experienced a downturn in growth in 2015 due to the change in political environment in PRC. The industry quickly recovered in subsequent years, recorded an overall positive CAGR growth of approximately 3.1%, from 2013 to 2017. Moving forward, continuous growth of tourism, global expansion of cooperation and the development of the Greater Bay Area are expected to increase travel and car-related expenditures, which ultimately will benefit the car rental market industry in the upcoming years. With the continuous growth of tourism and new opportunities open to car rental, the total revenue of car rental market is expected to further grow from approximately MOP415.6 million in 2018 to approximately MOP532.4 million in 2022, at a CAGR of approximately 6.4%.

INDUSTRY OVERVIEW

Total revenue of the in-city car rental services industry in Macau from 2013 to 2022

CAGR	2013-2017	2018F-2022F
Revenue of the in-city car rental services in Macau	3.1%	6.4%



Note(s):

1. In the context of this report, taxis, coaches and motorcycles are excluded.
2. "F" denotes forecast figure

Source(s): DSEC Macau; Macau Tourism Industry Development Master Plan Comprehensive Report; Ipsos Research and Analysis

The opening of the HZMB has also opened a new stream of business to the car rental industry. Car rental operators which have obtained the (i) bridge permit (cross-border hire car) from Macau government, and (ii) private service (limousine - cross-border hire car permit from Hong Kong government) are allowed to provide cross-border car rental services, crossing the HZMB between Hong Kong and Macau. As at 30 June 2019, a total of 40 bridge permits have been issued by the Macau government and 60 bridge permits by the Hong Kong government to cross-border passenger service companies, car rental services companies and travel agents. Cross boundary car rental services are limited to only chauffeur driven rental services. Given the cross-border permits have only been recently launched, the Macau government will observe the performance after running a certain period of time before deciding whether further permits will be issued. Each permit for the provision of cross boundary car rental services issued by the Macau government has a validity of three years and can be renewed once, hence, bringing the maximum validity period of one permit to six years. Despite it is not mentioned that the Macau government has any plans of making any new issuance of permits, upon the expiry of the permit the Macau government may make new arrangement.

Key costs of the car rental services industry in Macau from 2013 to 2018

	2013	2014	2015	2016	2017	2018	CAGR 2013- 2018
Average price of car rental services (MOP/hour)	1,336.0	1,385.0	1,332.0	1,457.0	1,530.0	1,603.0	5.5%
Average selling price of fuel (MOP/Litre)	13.4	13.4	11.7	11.4	12.3	13.1	-0.5%
Average wage of the land transport drivers of passengers/cargo (MOP/month)	18,200.0	19,530.0	22,910.0	24,160.0	23,420.0	23,790.0	5.5%

INDUSTRY OVERVIEW

Note: Average price of the car rental services is represented by the price of limousine cars and non-limousine cars. Limousine cars refer to high-end and premium with long-wheel base vehicles driven by chauffeur mainly for VIP guests of casino and junket, and generally ranged from MOP 824 per hour to MOP 11,700 per hour. Non-limousine cars refer to sedans and 7-seat vans, and can be chauffeur-driven or self-drive. The price of chauffeur-driven non-limousine cars generally ranged from MOP 200 per hour to MOP 900 per hour while self-drive non-limousine cars generally ranged from MOP 50 per hour to MOP 117 per hour.

Source(s): DSEC Macau; Ipsos research and analysis

The price of the car rental services industry in Macau recorded at approximately CAGR of 5.5% from approximately MOP1,336.0 in 2013 to approximately MOP1,603.0 in 2018. The price fluctuated along with the inflationary rate of and the demand in the car rental services industry.

The selling price of fuel in Macau recorded a CAGR of -0.5% from approximately MOP13.4 per litre in 2013 to approximately MOP13.1 per litre in 2018. The fluctuation of price fuel in Macau is reflective of the global crude oil price trend. From 2014 to 2015, Brent oil prices recorded a fall of 47.2%. One of the major reasons was due to an oversupply of shale oil in the US placing a downward pressure to the oil prices. While crude oil prices are still below the previous record of USD100.0 per barrel, prices have shown signs of recovery in 2017.

On the other hand, the average wage of the land transport drivers in Macau increased at a CAGR of 5.5% from approximately MOP18,200.0 in 2013 to approximately MOP23,790.0 in 2018. Besides constant inflationary pressure, drivers have been regarded as an occupation with long working hours and stressful working environment. Despite the constant increase in wages, new workforce is still reluctant to enter the job market of casino and government in Macau which offer much more lucrative pay and benefits causing the wage in the transportation market to experience a constant hike.

COMPETITIVE LANDSCAPE OF THE CAR RENTAL SERVICES INDUSTRY IN MACAU

Macau

As at 30 June 2019, a total of four car rental services companies (including our Group) were licensed to provide self-drive rent-a-car services, as compared to 227 companies permitted to provide tourism-purpose car rental services in Macau. For travel agents, they could only provide car rental services solely for tourism-purpose under their travel licences. In 2018, our Group recorded a revenue of HK\$8.6 million for car rental services, accounting for a share of approximately 2.1% to the total revenue of in-country car rental services industry in Macau. As there is a substantial number of players in the market, the industry's degree of competition is relatively high among the top four players with their market share accounted for approximately 86.3% in 2018.

INDUSTRY OVERVIEW

According to the Ipsos Report, the top car rental services operators (in terms of market share for in-city car rental in Macau in 2018) and their respective backgrounds are as follows:

Companies	Overview	Approximate market share
Company E	A private travel agent that provides chauffeur driven car hire, hotel reservation and flight ticket booking service	34.9%
Company F	A travel agent and car rental company that provides self-drive rent-a-car services	33.8%
Company G	A car rental company that provides self-drive rent-a-car services and chauffeur driven car hire	13.1%
Company H	A car rental company that provides self-drive rent-a-car services and chauffeur driven car hire	4.5%
Our Group	A travel agent and car rental company that provides self-drive rent-a-car services and chauffeur driven car hire	2.1%
Others		11.6%
Total		100.0%

Notes:

- (1) Our Group only commenced Multi-purpose Car Rental Services in Macau in May 2018. As at 30 June 2019, only four companies in Macau provide self-drive rent-a-car services, of which only two of them (including us and Company F) are authorised to provide both car rental services for tourism and self-drive rent-a-car services.
- (2) Company E only provides car hire under its travel agent licence.

Source(s): Ipsos Research and Analysis

Market drivers and opportunities

The opening of HZMB

The HZMB connecting Hong Kong, Zhuhai and Macau shortens the commuting time by land between the three cities to approximately one hour. With the HZMB, it is more convenient for mainland Chinese living in the Pan Pearl River Delta (PPRD) to travel to Macau. HZMB along with the Guangdong-Hong Kong-Macau Greater Bay Area promotes closer cooperation between Guangdong province, Hong Kong and Macau. More mainland Chinese tourists, particularly from the Pan-Pearl River Delta, are expected to be drawn to Macau which translates to higher demand for transportation facilities including car rental services.

Development of tourism and meetings, incentives, conventions and exhibitions (“MICE”) in Macau

In Macau, the development of tourism and MICE primarily drive the demand for car rental services with tourist inflow from international regions. The total number of tourist arrivals to Macau increased from approximately 29.3 million in 2013 to approximately 32.6 million in 2017 at a CAGR of approximately 2.7%. MICE events also increased from 1,030 in 2013 to 1,381 in 2017 at a CAGR of approximately 7.6%. Moving forward, tourism and MICE are expected to continue driving the demand for car rental from both tourists and business professionals.

INDUSTRY OVERVIEW

Entry barriers

High initial capital for new entrants

A substantial capital investment is required for new entrants to enter the services industry in Macau, especially for those who intend to provide self-drive rent-a-car services to customers. To be eligible to operate self-drive rent-a-car rental services business in Macau, it is mandatory to own a fleet of at least 25 light passenger vehicles as required by the Macau government. In addition, high operating cost of maintaining a car fleet is expected to be a significant hurdle for new entrants too, reducing the overall incentives for potential entrants into the industry.

Difficulty to enjoy economies of scale for new entrants

In Macau, established car rental companies with a vertical coordination of channel partners enjoy the advantages of economies of scale. They can set competitive prices supported by their advantages of economies of scale to compete with new entrants who may have limited connections with channel partners, including travel agents and/or hotel operators, in Macau. Consumers are generally price-sensitive towards similar car choices and responsive to price changes in the car rental services. Therefore, price competition is not uncommon for car rental services operators to gain a bigger market share, making it difficult for new entrants to compete with established firms who already enjoy the advantages of economies of scale.

REGULATIONS

OVERVIEW

During the Track Record Period, the business activities of our Group are principally carried out in Macau, Hong Kong and the PRC and are therefore principally subject to the relevant laws and regulations in Macau, Hong Kong and the PRC.

This section sets out a summary of certain aspects of the laws and regulations in Macau, Hong Kong and the PRC which are material to our operations and business. Information contained in this section should not be construed as a comprehensive statement of all laws and regulations applicable to our Group.

MACAU

Regulatory regime in relation to our business operation in Macau

Travel agent

MGTO is the principal regulatory authority for the tourism business.

The relevant legal framework in respect of travel agent is regulated by Decree Law No. 48/98/M.

Under the Decree Law No. 48/98/M, travel agents are considered to be commercial companies registered in Macau which, under the terms of this law, are entitled to carry out their own businesses. The activities of the travel agents shall be as follows:

- a) handling travel documents, especially visas;
- b) organisation and sales of tourist trips;
- c) sales of tickets and reservation of seats in any means of transport, as well as the luggage check-in in relation to the ticket sales;
- d) reservation of services in hotels and similar establishments, as well as in any tourist attractions;
- e) sales of services from similar travel agents within or outside the Macao Special Administrative Region as an intermediary; and
- f) provision of reception, transfer and assistance services to tourists.

REGULATIONS

And the following services are considered as supplementary services to the travel agents' own activities:

- a) car rental in accordance with the respective legislation;
- b) reservations and sales of tickets for shows or other public events;
- c) apply for insurance in authorised companies to cover risks derived from the tourist activity; and
- d) dissemination of tourist promotion materials, as well as the sales of travel guides and similar publications.

Travel agents are prohibited from operating any other businesses or providing any other services, other than the operation of the above-mentioned activities and supplementary services and the company shall solely operate travel agent activities.

The operating company which will carry out the travel agent business shall be established in Macau, with the minimum amount of share capital of MOP1,500,000.00. For each branch the company establishes an additional capital of MOP300,000.00 is required.

Travel agents and branches shall exercise their activity in autonomous premises with independent access, and which are exclusively for such exercise. The premises for operating travel agents and branches shall be intended for commerce, service, office or independent profession and the premises of travel agents and branches shall have a minimum gross floor area of 40 square meters and 20 square meters, respectively, a designated area for serving clients and appropriate equipment for the exercise of its activities.

Travel agents are also permitted to open service counters in Macau International Airport, ferry terminals, stations, train stations and border posts.

On the other hand, travel agent should have at least one technical director who must comply with the following requirements:

- a) resides in Macau;
- b) written and spoken knowledge of two languages, one of which should be Chinese or Portuguese;
- c) professional training course offered by Macau higher education institution specialising in tourism, or recognised by such institute; and
- d) no less than 3 years professional experience in the tourism industry.

REGULATIONS

The qualification of technical director is assessed and examined by a committee which is composed of at least two representatives of the Institute for Tourism Studies and one representative of MGTO.

Furthermore, the travel agent is obliged to offer a bank guarantee of MOP500,000 and to apply for professional liability insurance with the insured amount of not less than MOP700,000 since it has to guarantee that it undertakes the responsibility for its business affairs in the interests of customers.

In regard to the operation of travel agents, agents and their branches should operate at least from 10 am to 1 pm and 3 pm to 6 pm, except on Saturdays, Sundays and public holidays unless with a justified explanation.

Lastly, the licence of a travel agent is valid for one year and must be renewed every year. The renewal should be made at least 30 days' prior to the expiry date of the licence. Late renewal is subject to additional charges.

Self-drive rent-a-car service

The operation of the rental services of motor vehicles without a driver depends on authorisation to be granted by order of the Chief Executive of Macau, upon the advice of the Director of MGTO and the Higher Traffic Council and is regulated by the Decree Law no. 52/84/M.

Authorisation to operate the car rental industry without drivers is only granted, in accordance with Decree Law no. 52/84/M, to companies proposing to operate in Macau the fixed minimum number of vehicles, covering:

- light passenger vehicles (at least 25 vehicles); or
- motorcycles (minimum of 12 vehicles); or
- special-purpose light vehicles approved for this purpose (only those who operate the rental services of both light passenger vehicles and motorcycles are allowed to operate the rental services of special-purpose light vehicle).

The operation of the rental services of motor vehicles without driver requires a company incorporated in Macau with a minimum share capital of MOP100,000.

The headquarters and branches of companies operating the car rental industry shall always have independent facilities where they will carry out their own activities.

REGULATIONS

The company shall submit, among other documents, the plan with the indication of the equipment, of the facilities where the activities will be operated, document proving the layout of the parking space for motor vehicles when they are not rented and also the plan of the place with the indication of the spaces designated for the parking of the vehicles when they are not rented.

After the authorisation is granted, the company shall only operate their business after approval of the facilities in the survey to be performed by MGTO. The company, upon receipt of notification of the authorised application, shall request the inspection of the premises of the car rental industry without driver within 6 months.

In regard to the operation of self-drive rent-a-car services, only vehicles licensed for this purpose by the Macau government can be used and vehicles with more than five years old, counted from the date of their registration, cannot be used in the rental service without drivers. Such limit of five years can be extended for one year at a time, up to a maximum of five years, upon authorisation of the Macau government, after inspection of the respective vehicles.

Further, the contract for the rent-a-car services shall be numbered, in written form and in triplicate for MGTO's filing purpose and the contract shall include its general conditions, namely those relating to the price and deposit, provision of agreed additional services and the date and place of the commencement of the rental and delivery of the vehicle in the agreed terms.

The fee charged for the rental of vehicles without drivers shall be in Macau Patacas and shall result from the cumulative of the following elements:

- a) rental rate, for each day or less than one day;
- b) mileage rate, for each kilometre travelled; and
- c) remuneration corresponding to the provision of auxiliary services.

A daily rate without kilometric limitation is also allowed by mutual agreement of the clients and the company. The fee mentioned above shall include the civil liability insurance costs, the expenses with engine lubricants, tires and inner tubes and repair of non-imputable faults to the lessee.

As an additional service, a contract of car rental may be concluded with the hiring of a driver for the sole purpose of driving the vehicle rented. Such driving service shall be provided by professional drivers who are employed by the company or individuals who are contracted by the intermediary of the company. Such driving services will also be considered as the services provided by the company itself.

REGULATIONS

Cross-border passenger transportation

The operation of cross-border passenger transportation services in Macau is regulated under the Administrative Regulation No. 4/2004 (Intercity Passenger Road Transport). According to the regulation, all the applications of cross-border passenger road transport services must be submitted to the Land, Public Works and Transport Bureau (DSSOPT) for approval. The company shall engage in the relevant business only after obtaining the license to carry out the business of intercity passenger road transport, and those who violate the rules will be subject to administrative penalties.

The provision of intercity passenger road transport services between the Macao SAR and other regions of the People's Republic of China shall be subject to the prior authorisation of the competent authorities of the respective regions and shall also comply with the operating conditions agreed between the Macao SAR and other regions of the People's Republic of China, based on the needs on the safety and management of intercity passenger road transport.

The company engaged in cross-border passenger road transport services must be a public company with limited liability established in Macao. In order to ensure that the company has sufficient management resources, the registered capital of the company cannot be less than MOP\$5,000,000. During the operation, the reserves of the company shall be 10% of the total value of all vehicles held by it, and the amount shall not be less than MOP\$50,000. To apply for such a license, in addition to submitting detailed information of the company, the applicant must also specify the routes, timetables, pick-up and drop-off locations, charges, number of vehicles and types of vehicles traveling in Macao.

The administrators, managers or any other persons-in-charge of the management of the applicant shall not have any legal prohibition for the exercise of commercial activities and conviction of certain kinds of crimes, which are deemed as impediments of suitability of the applicant. Furthermore, the applicant shall also have at least one manager with the academic background or practical skills necessary to carry out the business of road transport of passengers.

The license is valid for three years and can be renewed upon its expiration.

Labour matter

The labour regime in Macau is based on 27th of July 1998 — Law No. 4/98/M (Framework Law on Employment Policy and Worker's Rights) which prescribes general principles and directions of Labour legislations.

REGULATIONS

18th of August — Law No. 7/2008 (Labour Relation Law), which became effective on 1 January 2009 and replaced the “old Labour law” — 3rd of April 1989 — Decree-Law No. 24/89/M (Labour Relations, Juridical System), provides the basic requirements and conditions for all types of Labour relations with certain exceptions. In general, requirements and conditions stipulated in such law cannot be waived by mutual agreement. All working conditions of whatever type of Labour relation should not be worse than the basic conditions stipulated in such law.

The employer shall comply with the conditions required under 22nd of May — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) in order to provide a safe and clean working condition for its employees, failing of which will result in fines and cautious measures to be imposed on the employer pursuant to 18th of February 1991 — Decree Law No. 13/91/M (determination of sanctions for the non-compliance of general regulation of working safety and hygiene of office, service and commercial establishments).

The statutory requirements stipulated under 18th of October — Decree Law No. 58/93/M (approval of social security regime), revoked by Administrative Regulation No. 24/2015 (approval of Labour Credits Guarantee Fund) and partially revoked by Administrative Regulation No. 6/2007, Law No. 21/2009, Law No. 4/2010 and Law No. 10/2015, and 4th of August — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), stipulate that an employer is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with the relevant applicable legislations, failing of which will result in an administrative fine to be imposed on the employer as legal sanction.

In the event an industrial accident, the employer shall notify the Labour Affairs Bureau of Macau within 24 hours of the accident, or the time that they acknowledge the accident and also notify the insurer within the period as regulated under the insurance policy. Failing of notification to the Labour Affairs Bureau of Macau will result an administrative fine from MOP2,500 to MOP12,500 to be imposed on the employer.

All employees must either be permanent or non-permanent Macau residents or holders of work permits in the case of foreign workers. The hiring of a non-resident worker shall comply with the 15th of October — Law No. 21/2009 (Law of Hiring non-resident workers), and the employer is required to obtain the work permit in the case of foreign worker. Except for certain limited situations stated under 14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work), workers other than Macau residents or holders of work permits will be considered as illegal workers in Macau and employers will be criminally liable under 2nd of August — Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

According to the Law No. 7/2015 (Minimum wage for cleaning and security workers in the property administration business), minimum wage is only applicable to the labour relation established with workers who carry out cleaning and security work in the property administration activity and it does not apply to the employees of our Group.

REGULATIONS

The regulatory authorities which are responsible for Labour safety, social security and insurance matters are the Labour Affairs Bureau of Macau, the Social Security Fund of Macau and the Monetary Authority of Macau, respectively.

Insurance matter

In Macau, a company must obtain compulsory industrial accident insurance for all its employees who are employed under the company in Macau in accordance with the relevant applicable legislations, failing of which will result in an administrative fine to be imposed on the company as the employer as legal sanction.

A company being a travel agent, shall purchase professional indemnity insurance which shall cover: (a) personal, property and non-pecuniary damage caused to clients or third parties by actions or omissions of the legal representatives of the agent and the persons employed by them and for whom the agent is civilly responsible; (b) the additional costs borne by clients as a result of failure to provide the agreed services or insufficient or defective service, and such insurance coverage shall not be less than MOP700,000.

Furthermore, our Group shall also purchase an insurance policy in the minimum amount set by Decree Law no. 57/94/M to cover the civil liability for damages resulting from any traffic accident for the vehicles which are used for the operation during the Track Record Period.

As per information obtained from the insurance company, it is not required to specify the name of each driver for each vehicle.

Taxation

Under the Macau Laws, a company registered in Macau should comply with the tax regime of Macau. According to the business nature of a company, the Profits Tax and the Industrial Tax are payable by a company and a company also have the responsibility for the declaration of the Professional Tax of their staffs generally under the Law no. 2/78/M.

A company shall declare the annual profits of last year to the Financial Services Bureau from April to June for Group A, and from February to March for Group B and the Financial Services Bureau will assess the profit tax payable by each of company accordingly. Under the law no. 21/78/M (Profits Tax), and the Law No. 9/2014 as amended by Law no. 5/2015, Law no. 15/2015, Law no. 11/2016 and Law no. 16/2017 (Budget laws of year 2015, 2016, 2017 and 2018), the profits tax of the first MOP600,000 is exempted and the balance will be calculated by the rate from 12% that exceeds this amount for years 2015 to 2018.

The industrial tax is fixed and calculated according to the business nature of each company and due for the operation. However, all the industrial tax is exempted by the Macau government in years 2014, 2015, 2016, 2017 and 2018. Macau Government will decide whether the exemption will be continued through the budget law of the forthcoming years.

REGULATIONS

HONG KONG

Business Registration Ordinance

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person, whether a company or an individual, who carries on a business in Hong Kong to apply for business registration certificate from the Inland Revenue Department of Hong Kong within one month from the date of commencement of the business, and to display the valid business registration certificate at the place of business. Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine at level 2 (currently at HK\$5,000) and to imprisonment for one year.

Employees' Compensation Ordinance

The Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) (the “ECO”) establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Under section 40 of the ECO, all employers are required to take out insurance policy to cover their liabilities both under the ECO and at common law for injuries at work in respect of all their employees (including full-time and part-time employees) for an amount not less than the applicable amount specified under the ECO.

An employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for two years, and on summary conviction to a fine at level 6 (currently at HK\$100,000) and to imprisonment for one year.

Laws and regulations in relation to our planned business in future

Our Group planned to introduce the point-to-point cross-border transportation services between Hong Kong and Macau via the HZMB. As at 30 June 2019, the Transport Bureau of Macau has granted 40 permits, each of which allows one vehicle to cross the HZMB, out of which our Group has been granted three permits. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. We have been liaising closely with different government authorities in Hong Kong in relation to the application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong.

As advised by the Hong Kong Legal Counsel, the said point-to-point cross-border transportation services are governed by the Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) (the “**Road Traffic Ordinance**”) and Road Traffic (Public Service Vehicles) Regulations (Chapter 374D of the Laws of Hong Kong) (“**RT(PSV)R**”) and the owner of the vehicle in connection with the said

REGULATIONS

service is required to obtain a hire car permit from the Commissioner for Transport under Regulation 14 of RT(PSV)R. In addition, a closed road permit for cross boundary vehicles should also be obtained under Regulation 49 of the Road Traffic (Registration and Licensing of Vehicles) Regulations (Chapter 374E of the Laws of Hong Kong). In accordance with Sections 52(3) of the Road Traffic Ordinance, no private car is allowed to carry passengers for hire or reward unless a hire car permit is in force in respect of the vehicle. Any person contravening these provisions commits an offence and is liable in the case of first conviction to a fine of HK\$5,000 and to imprisonment for 3 months, and in the case of a second or subsequent conviction to a fine of HK\$10,000 and to imprisonment for 6 months. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services between Macau and Hong Kong in the fourth quarter of 2019. Details of which are set out in the paragraph headed “Business — Products and services — (iv) Point-to-point cross-border transportation services” in this prospectus. Our Directors confirmed that our Group will consult our legal advisers to comply with the relevant procedures or requirements to be imposed by the Hong Kong government in order to complete any registration or obtain any approval prior to the commencement of such services. For details of the relevant Macau laws and regulations, please refer to paragraph headed “Macau — Regulatory regime in relation to our business operation in Macau - Cross-border passenger transportation” in this section.

THE PRC

PRC Laws and Regulations on Foreign Investment

The Catalogue of Industries for Guiding Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-invested enterprises is subject to certain regulations regarding the industry participated.

On 30 June 2019, the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019 Version) (《外商投資准入特別管理措施（負面清單）（2019年版）》) (the “**Negative List**”) and the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄（2019年版）》) were jointly promulgated by the National Development and Reform Commission and the Ministry of Commerce (the “**MOFCOM**”) and became effective on 30 July 2019.

Under the Negative List, tourism industry and related consultation services are not subject to special administrative measures for the access of foreign investment.

REGULATIONS

Regulations on Wholly Foreign-owned Enterprise

The establishment, operation and management of corporate entities in the PRC are basically governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on 29 December 1993, became effective on 1 July 1994, and was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018. The Company Law applies to both PRC domestic companies and foreign-invested companies, but for matters otherwise prescribed by laws in relation to foreign investment, such provisions shall prevail.

The foreign exchange matters, accounting practices, taxation, labour and other relevant matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》) (the “**WFOE Law**”) which was promulgated by the SCNPC and came into effect on 12 April 1986, and was subsequently amended on 31 October 2000 and 3 September 2016, and the Implementation Rules of the WFOE law of the PRC (《中華人民共和國外資企業法實施細則》) which was promulgated and came into effect on 12 December 1990, and was subsequently amended on 12 April 2001 and 19 February 2014. Pursuant to the latest amendment of the WFOE Law, the establishment and change of a WFOE which does not involve the implementation of special administrative measures for the access of foreign investment prescribed by the PRC government shall be subject to record-filing management.

The Provisional Measures on Record-filing Administration over the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Measures**”) was promulgated by the MOFCOM and came into effect on 8 October 2016, and was subsequently amended on 30 July 2017 and 30 June 2018. Pursuant to the Measures, a WFOE not subject to special market entry administrative measures shall file with the MOFCOM for its establishment or any change by submitting application documents online via the Foreign Investment Comprehensive Management System when filing application for establishment registration with the relevant administration for industry and commerce or market regulation, or within thirty days after the occurrence of any change to the WFOE, instead of obtaining the pre-approval for its establishment or changes.

PRC Laws and Regulations on Labour Protection

Labour Contract Law

According to the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on 29 June 2007, taking effect on 1 January 2008 and amended on 28 December 2012, as well as the Implementation Regulations of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and taking effect on 18 September 2008, a written labour contract shall be concluded to establish an employment relationship. An employer shall pay an employee two times his salary for each month in the circumstances that the employer fails to enter into a written labour contract with the employee for more than a month but less than a year; where such period exceeds one year, the parties are deemed to have entered into a unfixed-term labour contract on the date when the employee has worked for the employer for one full year. An employee

REGULATIONS

may have his labour contract terminated by giving a written notification to the employer 30 days in advance or by fulfilling the statutory conditions. An employer may legally terminate a labour contract and dismiss an employee after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

Social Insurance

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011 and was amended on 29 December 2018, requires that employers in the PRC shall pay social insurance premiums, including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, for their employees. If an employer fails to make full payment of social insurance premiums in accordance with relevant laws and regulations, the social insurance premium collection institution shall order it to make the payment within a prescribed time limit and impose a daily fine equivalent to 0.05% of the overdue payment from the date on which the payment is overdue. If payment is still not made within the prescribed time limit, the relevant administrative department shall impose a fine ranging from one to three times the amount of the overdue payment.

Housing Provident Fund

According to the Regulations on the Management of Housing Provident Fund (《住房公積金管理條例》) promulgated and implemented by the State Council on 3 April 1999, and amended on 24 March 2002 and 24 March 2019, a newly established enterprise in the PRC shall make housing provident fund deposit registration with the housing provident fund management centre within 30 days of its establishment, and then open housing provident fund accounts for its employees. When employing new staff, the employer shall undertake housing provident fund deposit registration at the housing provident fund management centre within 30 days from the date of employment and then go through the formalities of opening or transferring the housing provident fund accounts for the staff. The monthly amount of housing provident fund deposited by each the employee and the employer shall not be less than 5% of the monthly average salary of the employee in the previous year. If an employer fails to make full payment of housing provident fund for its employees in accordance with relevant laws and regulations, the housing provident fund management centre shall order it to make the payment within a prescribed time limit. If payment is still not made within the prescribed time limit, an application may be made to the people's court for compulsory enforcement.

Laws and regulations in relation to our planned business in future

Based on the existing rules and regulations, there are no specific PRC rules or regulations which govern the planned point-to-point cross-border transportation services between Hong Kong and Macau through the HZMB. In the event that any PRC rules and regulations (if any) which are applicable to our point-to-point cross-border transportation services have been issued, our Group will comply with relevant rules and regulations prior to the commencement of the services.

HISTORY, DEVELOPMENT AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 December 2018. Pursuant to the Reorganisation as more particularly described in the paragraph headed “Reorganisation” in this section, our Company has become the holding company of our Group for the purpose of the Listing and holds the entire interests of 11 subsidiaries, namely, Endless Luck, Ample Coral, Brilliant Town, Max Rank, Ying Hai Tourism (Macau), Zhuhai Ying Hai, Ying Hai Rent-A-Car (Macau), Ying Hai Rent-A-Car (HK), Ying Hai Interurban, C U Macau and Ying Hai Tourism (HK).

BUSINESS DEVELOPMENT

Our history can be traced back to 2014 when Mr. Choi founded Ying Hai Tourism (Macau) with his personal fund accumulated from his property investment activities, and he has been leading the development of our Group since our establishment. Prior to establishing our Group, Mr. Choi engaged in property investment and started running his own business by operating a dessert shop in Macau in October 2009. Back in 2005, in a business event Mr. Choi got acquainted with Mr. Leong, who gained insights in the travel industry in Macau during his employment in the concierge department of Tak Chun since January 2011 up to September 2014. In 2014, in view of the development potential of the travel business in Macau and the market insights from Mr. Leong, Mr. Choi, directly and indirectly through Ying Hai Entertainment, a company owned as to 99% and 1% by Mr. Choi and Mr. Leong, respectively, established Ying Hai Tourism (Macau) to tap the travel industry by engaging in travel agent business. The background information and relevant industry experience of Mr. Choi and Mr. Leong are set out in the section headed “Directors, senior management and employees” in this prospectus.

We commenced the business relationship with L’Arc Hotel Macau in 2014 when only six hotel rooms per day were provided to our Group for the sales and distribution. Our Directors believe that with our years of stable business relationship, we have developed mutual trust with L’Arc Hotel Macau and are gradually provided with more and more hotel rooms per day for the sales and distribution. As at 31 December 2017, 2018 and 30 April 2019, we have secured 150, 172 and 157 hotel rooms per day on average with L’Arc Hotel Macau, respectively, which represent approximately 53.0%, 60.8% and 55.5% of its total number of hotel rooms, respectively. We constantly look for opportunities to work with other hotels in Macau and commenced our business relationship with Waldo Hotel Macao in 2014 and with other hotels over the years. To cater for the needs of our customers, we expanded our services offerings by incorporating Ying Hai Rent-A-Car (Macau) to engage in the provision of car rental services for tourism purpose in 2015. In 2017, we obtained an authorisation granted by the MGTO to provide self-drive rent-a-car services. As at 30 June 2019, only four companies in Macau obtained such authorisation, and only two of which (including us) were providing both travel agent services and such car rental services. As at 30 April 2019, our Group had 45 vehicles. In 2018, Ying Hai Interurban and Ying Hai Rent-A-Car (HK) were incorporated for the purpose of engaging in the point-to-point cross-border car rental services between Macau and Hong Kong following the opening of the HZMB, which we plan to commence in the fourth quarter of 2019.

HISTORY, DEVELOPMENT AND REORGANISATION

The key milestones in our development to date are set out below.

Year	Events
2014	<p>Ying Hai Tourism (Macau) was incorporated to engage in the provision of travel agent services. Our Group commenced business relationship with L’Arc Hotel Macau when six hotel rooms per day were provided to our Group for sales and distribution.</p> <p>Our Group also commenced business relationship with Waldo Hotel Macao.</p>
2015	<p>Ying Hai Rent-A-Car (Macau) was incorporated to engage in the provision of car rental services.</p>
2017	<p>We obtained an authorisation granted by the MGTO to provide self-drive rent-a-car services.</p> <p>As at 31 December 2017, our Group had 8 vehicles for tourism-purpose car rental services.</p>
2018	<p>Our Group commenced the provision of Multi-purpose Car Rental Services in Macau.</p> <p>Our Group obtained three out of 40 permits (one permit for one vehicle) from the Macau government to operate hire car services for carriage of passengers for reward between Macau and Hong Kong via the HZMB.</p> <p>Our Group further strengthened our business relationship with L’Arc Hotel Macau and was provided with over 170 hotel rooms per day for sales and distribution.</p> <p>As at 31 December 2018, our Group had 44 vehicles for our car rental services.</p>
2019	<p>Our Group established business relationship with Hotel P, being a five-star deluxe hotel in Macau.</p> <p>Our Group entered into an agreement with a company held by an operator of an app (the “App”), being one of the leading ride-hailing applications providing chauffeur rental service in the ride-hailing industry in China for a term of one year. Pursuant to the agreement, customers can make orders for our Group’s Multi-purpose Car Rental Services through the App.</p>

CORPORATE DEVELOPMENT

The following is a brief corporate history of the establishment and major changes in the shareholdings of the subsidiaries of our Group.

Endless Luck

Endless Luck was incorporated in BVI with limited liability on 9 October 2018. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.0 each. It is an investment holding company.

HISTORY, DEVELOPMENT AND REORGANISATION

On 18 December 2018, Endless Luck allotted and issued one share with a par value of US\$1.0 as fully paid to our Company, and the issued share capital of Endless Luck became wholly-owned by our Company. On 19 February 2019, Endless Luck further allotted and issued 99 shares with a par value of US\$1.0 each as fully paid to our Company. On 20 February 2019, as part of the Reorganisation, Endless Luck further allotted and issued 300 shares with a par value of US\$1.0 each as fully paid to our Company. Upon completion of the allotment and issue of shares as described above, the issued share capital of Endless Luck was wholly-owned by our Company.

Ample Coral

Ample Coral was incorporated in BVI with limited liability on 15 October 2018. It is authorised to issue a maximum of 50,000 no par value shares of a single class. It is an investment holding company.

On 18 December 2018, Ample Coral allotted and issued one share at a consideration of US\$1.0 as fully paid to Endless Luck, and the issued share capital of Ample Coral became wholly-owned by Endless Luck.

Brilliant Town

Brilliant Town was incorporated in BVI with limited liability on 10 October 2018. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.0 each. It is an investment holding company.

On 18 December 2018, Brilliant Town allotted and issued one share with a par value of US\$1.0 as fully paid to Endless Luck, and the issued share capital of Brilliant Town became wholly-owned by Endless Luck.

Max Rank

Max Rank was incorporated in BVI with limited liability on 28 September 2018. It is authorised to issue a maximum of 50,000 no par value shares of a single class. It is an investment holding company.

On 18 December 2018, Max Rank allotted and issued one share at a consideration of US\$1.0 as fully paid to Endless Luck, and the issued share capital of Max Rank became wholly-owned by Endless Luck.

Ying Hai Tourism (Macau)

Ying Hai Tourism (Macau) was incorporated in Macau with limited liability on 28 February 2014 with a registered capital of MOP1,500,000. It engages in the provision of travel agent services.

At the time of its establishment, Ying Hai Tourism (Macau) allotted and issued one quota (share) with a nominal value of MOP1,000,000 (representing approximately 66.67% equity interest) and one quota (share) with a nominal value of MOP500,000 (representing approximately 33.33% equity interest) to Mr. Choi and Ying Hai Entertainment, respectively. Ying Hai Entertainment was owned as to 99% and 1% by Mr. Choi and Mr. Leong, respectively.

HISTORY, DEVELOPMENT AND REORGANISATION

On 20 February 2019, as part of the Reorganisation, Mr. Choi split one quota (share) with a nominal value of MOP1,000,000 in Ying Hai Tourism (Macau) into one quota (share) with nominal value of MOP750,000 and one quota (share) with a nominal value of MOP250,000. On the same date, (i) Ample Coral acquired one quota (share) with a nominal value of MOP750,000 in Ying Hai Tourism (Macau) from Mr. Choi; and (ii) Brilliant Town acquired one quota (share) with a nominal value of MOP250,000 in Ying Hai Tourism (Macau) from Mr. Choi and one quota (share) with a nominal value of MOP500,000 in Ying Hai Tourism (Macau) from Ying Hai Entertainment, and combined them into one quota (share) with a nominal value of MOP750,000 in Ying Hai Tourism (Macau). Such transactions were properly and legally completed and settled on 21 February 2019. Ying Hai Tourism (Macau) then became owned as to 50% and 50% by Ample Coral and Brilliant Town, respectively.

Zhuhai Ying Hai

Zhuhai Ying Hai was established in the PRC with limited liability on 13 November 2015 as a wholly foreign-owned enterprise, with a fully paid-up registered capital of RMB3,800,000. At the time of its establishment, Zhuhai Ying Hai was wholly-owned by Honour Corporate Management Consulting Limited* (榮譽企業管理諮詢有限公司), being a company incorporated in Macau and owned as to 70% and 30% by Mr. Choi and Mr. Leong, respectively. Zhuhai Ying Hai serves as the back office of our Group in the PRC.

On 1 March 2017, Ying Hai Tourism (Macau) acquired the entire equity interest of Zhuhai Ying Hai from Honour Corporate Management Consulting Limited* (榮譽企業管理諮詢有限公司) at a consideration of RMB1,500,000, being its then paid-up registered capital. The registration of the above equity transfer was completed on 17 March 2017. Zhuhai Ying Hai then became a wholly-owned subsidiary of Ying Hai Tourism (Macau). In April 2017, Zhuhai Ying Hai increased its registered capital from RMB1,500,000 to RMB2,500,000, and the increased capital was fully paid up by cash. In November 2017, Zhuhai Ying Hai further increased its registered capital from RMB2,500,000 to RMB3,800,000, and the increased capital was fully paid up by cash.

Ying Hai Rent-A-Car (Macau)

Ying Hai Rent-A-Car (Macau) was incorporated in Macau with limited liability on 19 May 2015, with a registered capital of MOP25,000. It engages in the provision of car rental services.

At the time of its establishment, Ying Hai Rent-A-Car (Macau) allotted and issued one quota (share) with a nominal value of MOP17,500 (representing 70% equity interest) and one quota (share) with a nominal value of MOP7,500 (representing 30% equity interest) to Mr. Choi and Mr. Leong, respectively.

On 23 September 2016, Mr. Choi acquired one quota (share) with a nominal value of MOP7,500 from Mr. Leong at a consideration of MOP7,500. Such transaction was properly and legally completed and settled on 18 October 2016. Upon completion of the above acquisition, Ying Hai Rent-A-Car (Macau) then became wholly-owned by Mr. Choi.

On 14 November 2016, the share capital of Ying Hai Rent-A-Car (Macau) was increased to MOP100,000, with the increased share capital of MOP75,000 fully paid and subscribed by Mr. Choi. Following the increase of share capital, Mr. Choi split one quota (share) with a nominal value of MOP100,000 into one quota (share) with a nominal value of MOP51,000 and one quota (share) with a nominal value of MOP49,000, representing the entire registered capital of Ying Hai Rent-A-Car (Macau).

HISTORY, DEVELOPMENT AND REORGANISATION

On 20 February 2019, as part of the Reorganisation, Mr. Choi split one quota (share) with a nominal value of MOP51,000 in Ying Hai Rent-A-Car (Macau) into one quota (share) with nominal value of MOP50,000 and one quota (share) with a nominal value of MOP1,000. On the same date, (i) Ample Coral acquired one quota (share) with a nominal value of MOP50,000 in Ying Hai Rent-A-Car (Macau); and (ii) Brilliant Town acquired one quota (share) with nominal value of MOP1,000 and one quota (share) with a nominal value of MOP49,000 in Ying Hai Rent-A-Car (Macau) and combined them into one quota (share) with a nominal value of MOP50,000, from Mr. Choi, respectively. Such transactions were properly and legally completed and settled on 21 February 2019. Ying Hai Rent-A-Car (Macau) then became owned as to 50% and 50% by Ample Coral and Brilliant Town, respectively.

Ying Hai Rent-A-Car (HK)

Ying Hai Rent-A-Car (HK) was incorporated in Hong Kong with limited liability on 29 November 2018. It was incorporated for the purpose of engaging in point-to-point cross-border car rental services between Macau and Hong Kong and it did not have any business as at the Latest Practicable Date.

On the date of its incorporation, Ying Hai Rent-A-Car (HK) allotted and issued 100 shares as fully paid to Ying Hai Rent-A-Car (Macau), and the issued share capital of Ying Hai Rent-A-Car (HK) became wholly-owned by Ying Hai Rent-A-Car (Macau).

Ying Hai Interurban

Ying Hai Interurban was incorporated in Macau with limited liability on 22 October 2018 with a registered capital of MOP5,000,000 divided into 5,000 quotas (shares) with a nominal value of MOP1,000 each. It was incorporated for the purpose of providing cross-border car rental services between Macau and Hong Kong and it did not have any business as at the Latest Practicable Date.

At the time of its establishment, Ying Hai Interurban allotted and issued 4,750 quotas (shares) with a nominal value of MOP4,750,000 (representing 95% equity interest), 125 quotas (shares) with a nominal value of MOP125,000 (representing 2.5% equity interest) and 125 quotas (shares) with a nominal value of MOP125,000 (representing 2.5% equity interest) to Ying Hai Rent-A-Car (Macau), Ying Hai Tourism (Macau) and C U Macau, respectively.

C U Macau

C U Macau was incorporated in Macau with limited liability on 9 December 2016 with a registered capital of MOP30,000. It engages in the provision of travel information.

At the time of its establishment, C U Macau allotted and issued one quota (share) with a nominal value of MOP15,000 (representing 50% equity interest) and one quota (share) with a nominal value of MOP15,000 (representing 50% equity interest) to Mr. Choi and Mrs. Choi, respectively. The equity interests of Mrs. Choi were held on trust in favour of Mr. Choi.

HISTORY, DEVELOPMENT AND REORGANISATION

On 27 September 2018, Mr. Choi and Mrs. Choi cancelled the aforementioned trust arrangement, and Mrs. Choi transferred one quota (share) with a nominal value of MOP15,000 (representing 50% equity interest) to Ying Hai Entertainment at the direction of Mr. Choi. C U Macau then became owned as to 50% and 50% by Mr. Choi and Ying Hai Entertainment, respectively.

On 28 September 2018, the share capital of C U Macau was increased to MOP1,500,000, with Mr. Choi and Ying Hai Entertainment each paying up MOP735,000 for each quota (share) in C U Macau. Following the increase of share capital, Mr. Choi and Ying Hai Entertainment held one quota (share) with a nominal value of MOP750,000 and one quota (share) with a nominal value of MOP750,000, representing 50% and 50% of the registered capital of C U Macau, respectively.

On 20 February 2019, as part of the Reorganisation, Ample Coral and Brilliant Town acquired one quota (share) with a nominal value of MOP750,000 and one quota (share) with a nominal value of MOP750,000 in C U Macau from Mr. Choi and Ying Hai Entertainment, respectively. Such transactions were properly and legally completed and settled on 21 February 2019. C U Macau then became owned as to 50% and 50% by Ample Coral and Brilliant Town, respectively.

Ying Hai Tourism (HK)

Ying Hai Tourism (HK) was incorporated in Hong Kong with limited liability on 20 May 2016. It serves as the back office of our Group in Hong Kong.

On the date of its incorporation, Ying Hai Tourism (HK) allotted and issued 999 shares and one share as fully paid to Mr. Choi and Mr. Leong, respectively, and the issued share capital of Ying Hai Tourism (HK) became owned as to 99.9% and 0.1% by Mr. Choi and Mr. Leong, respectively.

On 8 March 2019, as part of the Reorganisation, Max Rank acquired 999 shares and one share from Mr. Choi and Mr. Leong, respectively. Such transactions were properly and legally completed and settled on 8 March 2019. Ying Hai Tourism (HK) then became a wholly-owned subsidiary of Max Rank.

REORGANISATION

Our Group underwent the Reorganisation in preparation for the Listing, which involved the following steps:

Incorporation of Silver Esteem

On 6 July 2018, Silver Esteem was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.0 per share.

On 3 December 2018, Silver Esteem allotted and issued one share with a par value of US\$1.0 as fully paid to Mr. Choi and the issued share capital of Silver Esteem became wholly-owned by Mr. Choi.

HISTORY, DEVELOPMENT AND REORGANISATION

Incorporation of our Company

On 18 December 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 per share.

On the date of its incorporation, our Company allotted and issued one subscriber Share as fully paid to a nominee subscriber. On the same date, the nominee subscriber as transferor executed an instrument of transfer in favour of Silver Esteem, pursuant to which the nominee subscriber transferred the one subscriber Share, representing the entire issued share capital of our Company, to Silver Esteem. Upon completion of the above transfer, the issued share capital of our Company became wholly-owned by Silver Esteem.

Incorporation of Endless Luck

On 9 October 2018, Endless Luck was incorporated in BVI with limited liability. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.0 each.

On 18 December 2018, Endless Luck allotted and issued one share with a par value of US\$1.0 as fully paid to our Company, and the issued share capital of Endless Luck became wholly-owned by our Company.

Incorporation of Ample Coral, Brilliant Town and Max Rank

On 15 October 2018, 10 October 2018 and 28 September 2018, Ample Coral, Brilliant Town and Max Rank were incorporated in BVI with limited liability, respectively. Each of Ample Coral and Max Rank is authorised to issue a maximum of 50,000 no par value shares of a single class. Brilliant Town is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.0 each.

On 18 December 2018, each of Ample Coral, Brilliant Town and Max Rank allotted and issued one share of US\$1.0 as fully paid to Endless Luck, and the respective issued share capital of Ample Coral, Brilliant Town and Max Rank became wholly-owned by Endless Luck.

Cancellation of the trust arrangement in C U Macau and acquisition of 50% of the registered capital in C U Macau by Ying Hai Entertainment

Immediately before the Reorganisation, Mr. Choi and Mrs. Choi held one quota (share) with a nominal value of MOP15,000 and one quota (share) with a nominal value of MOP15,000 in C U Macau, respectively, representing 50% and 50% of the registered capital of C U Macau, respectively. The equity interest of Mrs. Choi in C U Macau were held on trust in favour of Mr. Choi.

On 27 September 2018, Mr. Choi and Mrs. Choi cancelled the aforementioned trust arrangement and Mrs. Choi transferred one quota (share) in C U Macau, representing 50% of its equity interest, to Ying Hai Entertainment, being a wholly-owned company of Mr. Choi, at Mr. Choi's direction. On 28 September 2018, Mr. Choi and Ying Hai Entertainment resolved to increase the share capital of C U Macau to MOP1,500,000 and each paid up MOP735,000 for each quota (share) in C U Macau.

HISTORY, DEVELOPMENT AND REORGANISATION

Upon completion of the above, Mr. Choi and Ying Hai Entertainment legally and beneficially owned one quota (share) with a nominal value of MOP750,000 and one quota (share) with a nominal value of MOP750,000 in C U Macau, respectively, representing 50% and 50% of the registered capital of C U Macau, respectively.

Acquisition of Ying Hai Tourism (Macau), Ying Hai Rent-A-Car (Macau) and C U Macau by Ample Coral and Brilliant Town

Immediately before the Reorganisation:

- (i) Mr. Choi and Ying Hai Entertainment legally and beneficially owned one quota (share) with a nominal value of MOP1,000,000 and one quota (share) with a nominal value of MOP500,000 in Ying Hai Tourism (Macau), respectively, representing 66.67% and 33.33% of the registered capital of Ying Hai Tourism (Macau), respectively.
- (ii) Mr. Choi legally and beneficially owned one quota (share) with a nominal value of MOP51,000 and one quota (share) with a nominal value of MOP49,000 in Ying Hai Rent-A-Car (Macau), representing 51% and 49% of the registered capital of Ying Hai Rent-A-Car (Macau), respectively.
- (iii) Mr. Choi and Ying Hai Entertainment legally and beneficially owned one quota (share) with a nominal value of MOP750,000 and one quota (share) with a nominal value of MOP750,000 in C U Macau, respectively, representing 50% and 50% of the registered capital of C U Macau, respectively.

On 20 February 2019, Mr. Choi, Ying Hai Entertainment, Endless Luck, Ample Coral, Brilliant Town and our Company entered into a reorganisation agreement, pursuant to which:

- (i) Mr. Choi split one quota (share) with a nominal value of MOP1,000,000 in Ying Hai Tourism (Macau) into one quota (share) with a nominal value of MOP750,000 and one quota (share) with a nominal value of MOP250,000;
- (ii) Mr. Choi split one quota (share) with a nominal value of MOP51,000 in Ying Hai Rent-A-Car (Macau) into one quota (share) with a nominal value of MOP50,000 and one quota (share) with a nominal value of MOP1,000;
- (iii) Ample Coral acquired (a) one quota (share) with a nominal value of MOP750,000 in Ying Hai Tourism (Macau); (b) one quota (share) with a nominal value of MOP50,000 in Ying Hai Rent-A-Car (Macau); and (c) one quota (share) with a nominal value of MOP750,000 in C U Macau, from Mr. Choi, respectively, in consideration of Endless Luck allotting and issuing 150 shares in total, credited as fully paid, to our Company, at the direction of Mr. Choi; and

HISTORY, DEVELOPMENT AND REORGANISATION

- (iv) Brilliant Town acquired (a) one quota (share) with a nominal value of MOP250,000 from Mr. Choi and one quota (share) with a nominal value of MOP500,000 from Ying Hai Entertainment in Ying Hai Tourism (Macau), and combined them into one quota (share) with nominal value of MOP750,000; (b) one quota (share) with a nominal value of MOP750,000 in C U Macau from Ying Hai Entertainment; and (c) one quota (share) with a nominal value of MOP1,000 and one quota (share) with a nominal value of MOP49,000 in Ying Hai Rent-A-Car (Macau) and combined them into one quota (share) with a nominal value of MOP50,000, from Mr. Choi, respectively, in consideration of Endless Luck allotting and issuing 150 shares in total, credited as fully paid, to our Company, at the directions of Mr. Choi and Ying Hai Entertainment.

Upon completion of the above transactions, Ying Hai Tourism (Macau), Ying Hai Rent-A-Car (Macau) and C U Macau were owned as to 50% and 50% by Ample Coral and Brilliant Town, respectively.

Acquisition of Ying Hai Tourism (HK) by Max Rank

Immediately before the Reorganisation, Mr. Choi and Mr. Leong legally and beneficially owned 999 shares and one share in Ying Hai Tourism (HK), respectively, representing 99.9% and 0.1% of the issued share capital of Ying Hai Tourism (HK), respectively.

On 8 March 2019, Mr. Choi and Mr. Leong as transferors executed an instrument of transfer and bought and sold notes in favour of Max Rank, pursuant to which Max Rank acquired 999 shares and one share in Ying Hai Tourism (HK) from Mr. Choi and Mr. Leong, respectively, for a nominal consideration of HK\$999.0 and HK\$1.0, respectively. Upon completion of the above acquisitions, Ying Hai Tourism (HK) became a wholly-owned subsidiary of Max Rank.

Incorporation of Ying Hai Interurban

On 22 October 2018, Ying Hai Interurban was incorporated in Macau with limited liability. On the date of its incorporation, Ying Hai Interurban has a registered capital of MOP5,000,000 divided into 5,000 quotas (shares) with a nominal value of MOP1,000 per share.

On the same date, Ying Hai Rent-A-Car (Macau), Ying Hai Tourism (Macau) and C U Macau held 4,750 quotas (shares) with a nominal value of MOP4,750,000, 125 quotas (shares) with a nominal value of MOP125,000 and 125 quotas (shares) with a nominal value of MOP125,000 in Ying Hai Interurban, representing 95%, 2.5% and 2.5% of the registered capital of Ying Hai Interurban, respectively.

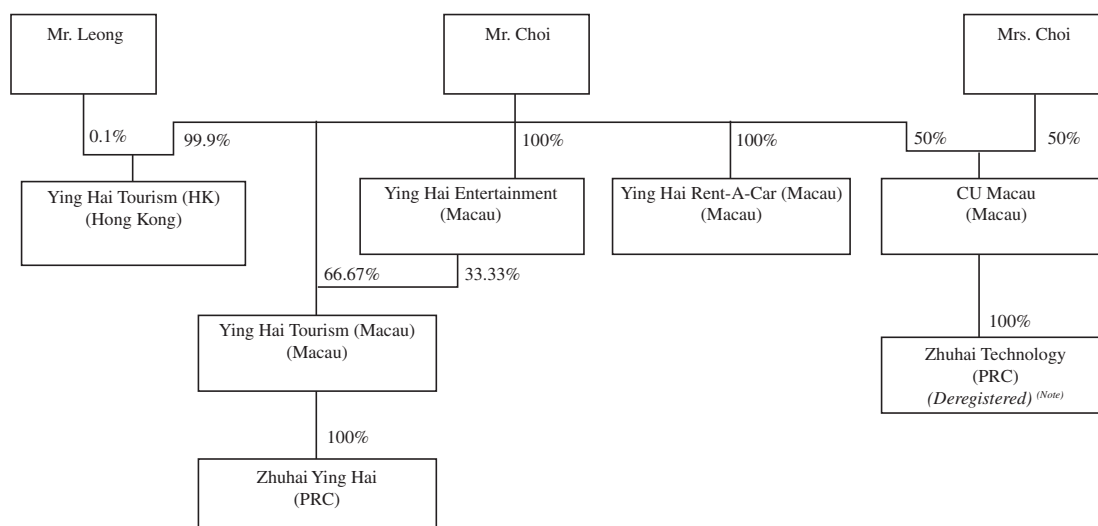
Incorporation of Ying Hai Rent-A-Car (HK)

On 29 November 2018, Ying Hai Rent-A-Car (HK) was incorporated in Hong Kong with limited liability. On the date of its incorporation, Ying Hai Rent-A-Car (HK) allotted and issued 100 shares as fully paid to Ying Hai Rent-A-Car (Macau) and the issued share capital of Ying Hai Rent-A-Car (HK) became wholly-owned by Ying Hai Rent-A-Car (Macau).

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE

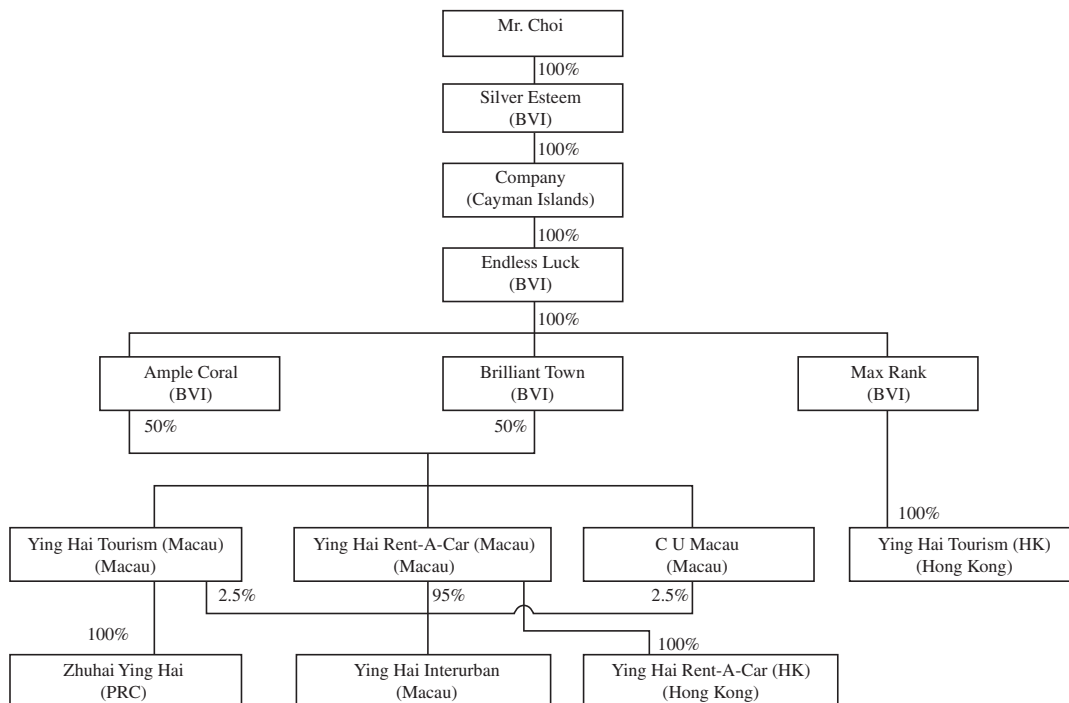
The following chart sets forth the shareholding and corporate structure of our Group immediately before the Reorganisation:



Note: Zhuhai Technology was established in the PRC with limited liability on 9 April 2018 as a wholly foreign-owned enterprise with a registered capital of RMB10,000. Prior to deregistration, its business scope was information technology development and technical consulting services. On 21 December 2018, Zhuhai Technology was deregistered according to the applicable PRC laws and regulations and was accordingly dissolved on deregistration. As advised by our Directors, the reason for the deregistration of Zhuhai Technology is that Zhuhai Technology had been inactive since its establishment. Zhuhai Technology was solvent at the time of its deregistration. Our Directors confirm that Zhuhai Technology had not been involved in any claim, complaint, sanction or litigation.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the shareholding and corporate structure of our Group immediately following the completion of the Reorganisation but before the Capitalisation Issue and the Share Offer:

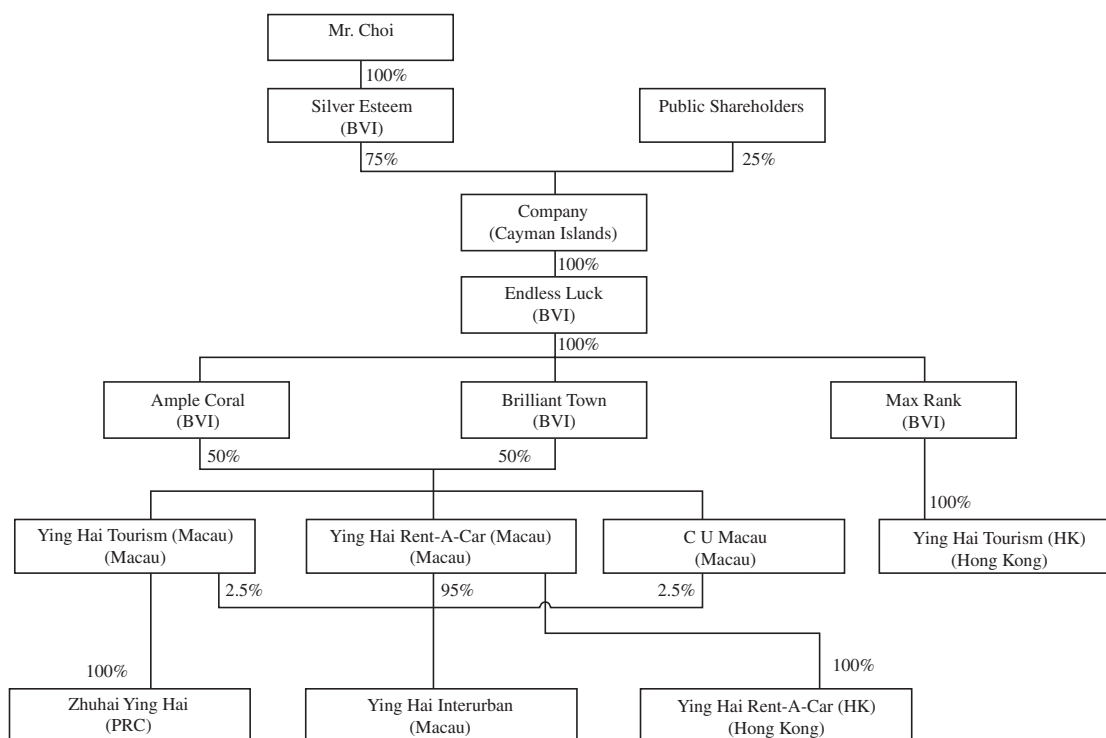


Capitalisation Issue

Conditional upon the crediting of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Listing, our Directors are authorised to capitalise an amount of HK\$8,999,999.99 standing to the credit of the share premium account of our Company by applying such sum towards to pay up in full at par a total of 899,999,999 Shares for allotment and issue, immediately prior to the Share Offer, to Silver Esteem so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by them, will constitute 75% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Share Offer.

HISTORY, DEVELOPMENT AND REORGANISATION

The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme):



PRC REGULATORY ISSUES RELATING TO THE REORGANISATION AND THE LISTING

As advised by the PRC Legal Advisers, since our PRC subsidiary was established as a wholly foreign-owned enterprise, and the Reorganisation did not involve any acquisition of domestic enterprises, the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) are not applicable to the Reorganisation, and the Listing is not subject to the approval from any PRC securities regulatory bodies.

In addition, as advised by the PRC Legal Advisers, since Mr. Choi, the ultimate shareholder and beneficial owner of our Company, is not a PRC domestic person who holds PRC identity documents nor an individual who resides in the PRC habitually for the purpose of economic benefit, Mr. Choi is not subject to the registration requirements under the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by the State Administration of Foreign Exchange of the PRC on 4 July 2014.

The PRC Legal Advisers further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation have been obtained.

BUSINESS

OVERVIEW

Founded in 2014, our Group is primarily a wholesale licensed travel agent that focuses on the provision of business-to-business domestic travel services and a car rental services provider based in Macau, offering to our customers a range of products and services which include hotel rooms, car rental services, air tickets and other ancillary travel-related products and services. As at the Latest Practicable Date, we had four service points in Macau, which included our headquarters, two on-street shops, and one booth at the Macau Outer Harbour Ferry Terminal.

Macau is a popular international tourist destination, which was ranked the fourth most visited city in Asia, totalling approximately 32.6 million tourist arrivals in 2017. The tourism industry has been one of the key contributors to Macau's economic development, which accounted for approximately 62.2% of Macau's total GDP on average during the period from 2013 to 2017. The total number of visitors in Macau increased from approximately 29.3 million in 2013 to approximately 35.8 million in 2018 at a CAGR of approximately 4.1%.

The travel agent industry in Macau was fragmented with 227 market players as at 30 June 2019. Although there are over 200 travel agents in Macau, most of them have different business focuses. Our Group focuses on providing domestic travel services, in particular the sales and distribution of hotel rooms to travel agents and corporate customers in Macau. Our Group recorded revenue (excluding the revenue generated from the Multi-purpose Car Rental Services) of approximately HK\$117.6 million and HK\$160.3 million for FY2017 and FY2018, respectively, accounting for a market share of approximately 1.5% and 1.9% of the total revenue of the travel agent industry in Macau for FY2017 and FY2018, respectively. According to the Ipsos Report, in respect of the sales and distribution of hotel rooms in Macau, our Group accounted for a market share of approximately 0.9% and 1.1% in terms of number of hotel rooms in Macau sold and distributed for FY2017 and FY2018, respectively. For FY2017, FY2018 and 4M2019, we sold and distributed hotel rooms of over 40, 40 and 35 hotels in Macau, respectively, to accommodate the needs of various types of customers. During the Track Record Period, our revenue was mainly derived from and through travel agents and corporate customers in Macau, with the remaining from individual customers. For FY2017, FY2018 and 4M2019, our Group sold and distributed approximately 124,000, 151,000 and 52,000 hotel rooms in Macau, respectively, contributing revenue of approximately HK\$111.2 million, HK\$155.5 million and HK\$57.3 million, respectively.

Our Group commenced to provide tourism-purpose car rental services in 2015, which is operated under our travel agent licence in Macau and must be provided for tourism-purpose only. In November 2017, our Group obtained an authorisation granted by the MGTO, which permits us to provide Multi-purpose Car Rental Services in Macau and we commenced to provide such service in May 2018. As at 30 June 2019, a total of four companies in Macau obtained the authorisation to provide self-drive rent-a-car services^(Note), of which only two (including us) were providing both travel agent

Note: The authorisation granted by the MGTO is granted pursuant to Decree Law No. 52/84/M in Macau in relation to "self-drive rent-a-car services". The major feature of "self-drive rent-a-car services" is that there is no specific restriction on the usage of the vehicles, whereas the car rental services provided under our travel agent licence is limited to tourism-purpose only. In order to avoid any confusion, the term "Multi-purpose Car Rental Services" used herein this prospectus describes our self-drive rent-a-car services authorised by the MGTO under Decree Law No. 52/84/M.

BUSINESS

services and such car rental services. For FY2017, FY2018, 4M2018 and 4M2019, we generated revenue from the provision of car rental services of approximately HK\$5.0 million, HK\$8.6 million, HK\$1.6 million and HK\$4.3 million, respectively, representing 4.2%, 5.2%, 3.0% and 6.9% of our total revenue, respectively.

As at 30 June 2019, our Group has been granted three out of 40 permits by the Transport Bureau of Macau, each of which allows one vehicle to cross the HZMB. Such permits enable us to expand our car rental services from services inside Macau to point-to-point cross-border transportation between Macau and Hong Kong. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services. We have been liaising closely with different government authorities in Hong Kong in relation to the application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services between Macau and Hong Kong in the fourth quarter of 2019.

OUR BUSINESS MODEL

Our Group is primarily a wholesale licensed travel agent that focuses on the provision of business-to-business domestic travel services and a car rental services provider based in Macau, and we provide a variety of travel products and services to our customers. During the Track Record Period, we derived our revenue from the following operating segments: (i) sales and distribution of hotel rooms; (ii) provision of car rental services; and (iii) sales and provision of air tickets and other ancillary travel-related products and services, such as entertainment tickets, buffet tickets, transportation tickets, travel insurance and visa applications.

The following table sets forth the breakdown of our revenue by operating segment during the Track Record Period:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Sales and distribution of hotel rooms	111,451	94.8	155,670	94.0	51,114	96.0	57,427	92.4
Provision of car rental services	4,980	4.2	8,585	5.2	1,615	3.0	4,281	6.9
Sales and provision of air tickets and other ancillary travel-related products and services	1,197	1.0	1,407	0.8	536	1.0	449	0.7
Total revenue	<u>117,628</u>	<u>100.0</u>	<u>165,662</u>	<u>100.0</u>	<u>53,265</u>	<u>100.0</u>	<u>62,157</u>	<u>100.0</u>

BUSINESS

Our Group secured the hotel rooms mainly through four sources. Depending on the source of hotel rooms, our Group recognised revenue on gross or net basis. For details of our sources of hotel rooms and basis for revenue recognition, please refer to the paragraph headed “Products and services — (i) Hotel rooms — Purchase arrangements of hotel rooms with suppliers” in this section below.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths differentiate us from other industry participants and have enabled us to compete effectively in our industry:

Established good and stable relationships with our key suppliers and customers

Our Group has maintained good business relationships with hotel operators in Macau such as L’Arc Hotel Macau and Waldo Hotel Macao and entered into Hotel Rooms Guarantee Agreements with them to secure our sources of hotel rooms so that our Group can maintain a stable supply of hotel rooms and a high degree of control over the quantity and pricing of hotel rooms available to us. For details of the Hotel Rooms Guarantee Agreements, please refer to the paragraph headed “Suppliers” in this section below.

Our Directors believe that our good track record in (i) our ability to undertake and sell and distribute the hotel rooms; and (ii) settlement of payment with hotel operators on time enable us to build up and maintain such good business relationships with hotel operators over the years.

Our Group has also established stable relationships with downstream distributors and corporate customers to secure our sales. Customer A, a travel agent identified by the Ipsos Report as one of the major players based on reputation and range of services provided in Macau, was our largest customer during the Track Record Period and has been our customer since 2014. For background of Customer A, please refer to the paragraph headed “Reliance on Supplier and Customer — (ii) Customer — Customer A — Background of Customer A” in this section below. We have entered into Cooperation Agreements and Distribution Agreements with Customer A in relation to the sales and distribution of hotel rooms of several hotels in Macau including L’Arc Hotel Macau, and pursuant to the Cooperation Agreements, Customer A undertakes to purchase a committed number of hotel rooms from us. For details of the Cooperation Agreements and Distribution Agreements, please refer to the paragraph headed “Sales and marketing — Sales and distribution channels — Selected Partners” in this section below.

A stable relationship with our suppliers, some of which have more than four years of business relationship with our Group, enables us to secure supply of hotel rooms on a regular basis at preferential room rates, and stable relationships with our major customers allow us to secure our revenue stream. Such arrangement enables us to ensure that some of our hotel rooms purchased from hotel operators are guaranteed to be sold, and lock up some of the profits to mitigate the risk of having to reduce the room rate significantly when approaching the check-in dates of unsold rooms.

BUSINESS

Diversified products and services range to customers

Our Group provides one-stop service to our customers with a wide variety of products and services ranging from air tickets, visa applications, travel insurance, hotel rooms bookings, entertainment tickets, buffet tickets, transportation arrangements including transportation tickets and car rental services, etc., which facilitate our customers to obtain one-stop service without having to negotiate with different parties by themselves. As at 30 June 2019, we were one of the two companies in Macau which were able to provide both travel agent services and self-drive rent-a-car services. A broad range of products and services enable our Group to diversify our sources of revenue and to meet different customers' needs. Our Directors believe that a strong variety of products and services will help increase our customers' reliance on us, and increase our customer loyalty.

Diversified range of hotel rooms which are offered by us

For FY2017, FY2018 and 4M2019, we have entered into Hotel Rooms Guarantee Agreements with seven, seven and eight hotels in Macau, respectively, pursuant to which we were guaranteed 320, 377 and 396 hotel rooms each day on average, respectively. These hotels range from three stars to five stars as accredited by the MGTO, offering a wide range of choices for our customers. Moreover, other than the eight hotels with which we have entered into Hotel Rooms Guarantee Agreements, we sold and distributed hotel rooms of over 130, 100 and 65 hotels (in Macau and overseas) for FY2017, FY2018 and 4M2019, respectively, which demonstrated our ability of sales and distribution of hotel rooms. Given that we have a wide range of hotel rooms to offer and our ability to source hotel rooms of different types of hotels, our Directors believe that the retail travel agents incline to deal with us to meet their various customers' needs and reduce their administrative costs and save time.

Diversified customer types

Given our ability to offer diversified travel products and services and having a stable supply of hotel rooms from hotel operators in Macau, we have attracted different types of customers to purchase our products and services. Our customers include corporate customers, travel agents as well as individual customers. The diversified types of customers will in turn reduce the risk of overly relying on a single type of customer. Our Directors believe that the three permits granted to us by the Transport Bureau of Macau for crossing the HZMB on 9 October 2018 will further enable us to expand our customer base to business travellers and customers with higher spending power.

We have an experienced and stable management team

Our Group is led by a team of experienced management personnel, who have been leading the development of our Group. They are primarily responsible for handling day-to-day operations, formulating corporate strategies and overseeing compliance and financial performances. Leveraging on their prior experience in the travel industry, our management team is familiar with the market and is able to guide our Group to react to latest market trends and changes through the development and implementation of effective strategies. They are also capable of soliciting business for our Group through their experience and personal network and connections. Our executive Director, Mr. Choi, our founder, our chief executive officer, an executive Director and our Controlling Shareholder, has more than nine years of experience in business management in Macau. Mr. Leong, our executive Director, has more than eight years of experience in travel-related industry. One of our senior management

BUSINESS

member, Ms. Im Kam Kuan, our customer service director, has accumulated over eleven years of experience in management and administration. Please refer to the section headed “Directors, senior management and employees” in this prospectus for further details. Our Directors believe that with the experience of our Directors and our management team, our Group has a solid foundation to respond promptly and duly to the ever-changing business environment.

OUR STRATEGIES

Our Group aims to further strengthen our established market position in Macau’s travel industry. To generate satisfactory profits and investment returns for our Shareholders and drive our sustainable growth in the future, we plan to adopt the following strategies:

Expansion of our car fleet

We intend to further leverage our advantage of being one of the two companies which are able to provide both travel agent services and self-drive rent-a-car services in Macau as at 30 June 2019. According to the Ipsos Report, the total revenue of travel agent services in Macau is expected to increase from approximately MOP8,506.2 million in 2018 to approximately MOP10,401.0 million in 2022 at a CAGR of approximately 5.2%, which will most likely be driven by Macau government’s initiatives and upgraded infrastructure that create a more connected network between Hong Kong, Mainland China and Macau. In addition, the opening of the HZMB in 2018 and the expected opening of the Second Humen Bridge in 2019 will provide easier and faster access across the Pearl River Delta region, which will lead to continuous growth of tourism and car rental opportunities. In addition, the size of car rental market in Macau in terms of revenue is expected to grow from approximately MOP415.6 million in 2018 to approximately MOP532.4 million in 2022 at a CAGR of approximately 6.4%. Given the high utilisation rate of our vehicles, being approximately 100.3%, 86.9% and 97.9% for FY2017, FY2018 and 4M2019, respectively, our Group intends to expand our car rental services through acquisitions of additional vehicles. Our Group plans to use approximately HK\$19.6 million of the net proceeds from the Share Offer to acquire an additional 20 vehicles and to recruit 20 drivers to meet the increasing demand for in-city Multi-purpose Car Rental Services. As a result of the acquisition of new vehicles, it is expected that an additional depreciation charge of approximately HK\$0.2 million will be incurred for the year ending 31 December 2019 and approximately HK\$1.2 million will be incurred for the year ending 31 December 2020.

Cooperation with more hotel operators and other travel agents and corporate customers in Macau

For FY2017, FY2018 and 4M2019, our Group sold and distributed hotel rooms of over 130, 100 and 65 hotels (in Macau and overseas), respectively, of which approximately 99.4%, 99.7% and 99.7% of the total number of hotel rooms sold and distributed by us were from hotels located in Macau, respectively, and had ratings from three to five stars as accredited by the MGTO with daily room rate ranging from HK\$200 to HK\$7,900 in 2017, HK\$110 to HK\$8,660 in 2018 and HK\$230 to HK\$10,300 in 2019, respectively. In addition, the total revenue of travel agents in Macau is expected to increase from approximately MOP8,506.2 million in 2018 to approximately MOP10,401.0 million in 2022 at a CAGR of approximately 5.2%. We aim to continue to expand our hotel portfolio in order to expand our potential customer base. Going forward, our Group intends to enter into Hotel Rooms Guarantee Agreements with more hotel operators to include mid- and high-tier hotel rooms with a

BUSINESS

view to increase the number of hotel rooms and to expand our hotel base so as to attract business travellers and high spending customers and to increase our market share, and thereby generate a higher sales volume and higher revenue from our other services, such as car rental services. With a listing status in Hong Kong, our Directors believe that we will have a higher bargaining power when negotiating with well-known hotel operators and pursuing business opportunities with our travel agents and corporate customers. We intend to use approximately HK\$6.0 million of the net proceeds from the Share Offer to pay the deposits and/or bank guarantee required by the hotel operators for entering into Hotel Rooms Guarantee Agreements with such hotels.

As at 31 December 2017, 2018 and 30 April 2019, our Group entered into sales and distribution agreements with four, five and four Selected Partners, respectively. The sales and distribution agreements entered into with the Selected Partners include the Cooperation Agreements, pursuant to which the Selected Partners undertook to purchase from us a committed number of hotel rooms over an agreed period, and other agreements, namely the Distribution Agreements and Framework Agreements, with various terms. For details, please refer to the paragraph headed “Sales and marketing — Sales and distribution channels — Selected Partners” in this section below. Our Group intends to cooperate with more travel agents and corporate customers to expand our distribution network and reduce reliance on any single travel agent.

Increase our marketing and expansion of our sales channels

Historically, our Group has focused on the sales and distribution of hotel rooms, provision of car rental services and sales and provision of air tickets and other ancillary travel-related products and services to and through corporate customers and travel agents (including our Selected Partners) as well as our four service points, which are located at our headquarters, on the streets, and at the Macau Outer Harbour Ferry Terminal, respectively. In order to further leverage our marketing capabilities and expand our market share, we plan to establish more service points and develop an online platform in the form of an app to market our travel products and services to corporate and individual customers. With the increasing use of internet for travel booking and in order to correspond with our plan to develop an online sales platform, our Group intends to invest in digital marketing through advertising on social media and search engine with a view to increasing our online channel presence and drive online enquiry for our products and services.

We intend to spend approximately HK\$1.9 million of the net proceeds from the Share Offer on opening two service points in Macau, including one in the HZMB Frontier Post at Macao Post which is the Macau landing point of the HZMB, and one in Macau Taipa Ferry Terminal which will provide general travel agent services.

We intend to spend approximately HK\$1.8 million of the net proceeds from the Share Offer to outsource the development of an online platform in the form of an app, and we intend to spend approximately HK\$2.8 million of the net proceeds from the Share Offer on social media and search engine advertising, and to produce short videos for marketing purposes to promote our products and services.

BUSINESS

Improve the efficiency of our operation

As at 30 April 2019, we had three offices in Macau. Our existing staff members responsible for different functions are spread over the three offices, of which the leases of the Old Properties comprising two units at 10th Floor of Centro Comercial Cheng Feng in Macau will expire in October 2019. In addition, subsequent to the Track Record Period, the landlord of the Old Properties notified our Group that the landlord intended to early terminate the leases of the Old Properties. The effective dates of the early termination of the leases were 16 August 2019 and 16 September 2019, respectively. As a result, subsequent to the Track Record Period, we rented the New Properties at 9th Floor of Centro Comercial Cheng Feng in Macau. The leases of the New Properties commenced on 16 July 2019 and will expire on 15 April 2021. For details of the Old Properties and New Properties, please refer to the paragraph headed “Properties — Leased properties” in this section below. Considering that (i) the leases of the Old Properties were early terminated; and (ii) the Old Properties constituted two of our three offices in Macau, our Group accelerated our timeline for relocation. As a result, we have relocated to the New Properties before our full renovation. In order to better collaborate internally, we intend to relocate and merge our existing offices in Macau into one single office at the New Properties to ensure better and more efficient communication, and to have sufficient working space to accommodate our existing workforce and any new staff to be recruited under the business strategy to expand our workforce as set out below.

We have relocated our office in Macau to the New Properties in August 2019 before our full renovation, and will continue the renovation of the New Properties in phases until November 2019. We intend to use approximately HK\$1.5 million for the renovation of the New Properties.

Expansion of our workforce

As at 30 April 2019, we employed a total of 74 full-time employees, including nine for management, five for sales and customer service representatives, 40 drivers, 12 for finance and administration, two for marketing and six for other functions. In order to cope with the continuous expansion of our business, our Group intends to hire additional staff and drivers. In addition to the 20 drivers to be recruited under our strategy to expand our car fleet, our Group also intends to hire four new employees in 2019 for our sales and customer services team with a view to having sufficient manpower to improve our service quality and brand awareness through advertisements and other marketing campaigns.

The above strategies will be funded by the net proceeds from the Share Offer and internal resources of our Group. For details of our intended use of the proceeds from the Share Offer, please refer to the paragraph headed “Future plans and use of proceeds — Use of proceeds” in this prospectus.

PRODUCTS AND SERVICES

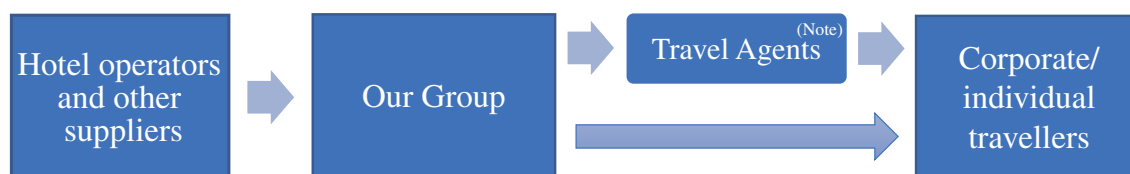
During the Track Record Period, our products and services can be categorised into three major types: (i) sales and distribution of hotel rooms; (ii) provision of car rental services; and (iii) sales and provision of air tickets and other ancillary travel-related products and services. In addition, we also plan to commence our point-to-point cross-border transportation services between Macau and Hong Kong in the fourth quarter of 2019.

BUSINESS

(i) Hotel rooms

For FY2017, FY2018 and 4M2019, our Group generated a majority of our total revenue generated from the sales and distribution of hotel rooms, amounting to approximately HK\$111.5 million, HK\$155.7 million and HK\$57.4 million, representing approximately 94.7%, 94.0% and 92.4% of our total revenue, respectively.

The workflow for the sales and distribution of hotel rooms by our Group is illustrated by the flowchart below:



Note: Travel agents might involve more than one layer.

The table below sets forth the details of hotel rooms of hotels in Macau and overseas purchased, sold and distributed, and unsold by our Group during Track Record Period:

	FY2017	FY2018	4M2019
Number of hotel rooms purchased	125,863	151,527	51,986
Number of hotel rooms sold and distributed ^(Note)	125,158	151,233	51,968
Number of hotel rooms unsold	705	294	18
Revenue generated from the sales and distribution of hotel rooms (HK\$ million)	111.5	155.7	57.4
Price range per hotel room (HK\$)	200-7,900	110-8,660	230-10,300
Average price of hotel rooms sold and distributed (HK\$)	1,014	1,099	1,158

Note: It represented the total number of hotel rooms sold and distributed by our Group under direct sales, Cooperation Agreements, Distribution Agreements, Framework Agreements and for which our Group earned margin income as an agent.

Purchase arrangements of hotel rooms with suppliers

Our Group secured the hotel rooms mainly through the following four sources:

- (a) guaranteed number of hotel rooms at Pre-determined Room Rates from hotel operators;
- (b) hotel rooms purchased from hotel operators by way of allotment from time to time;
- (c) purchase of hotel rooms from hotel operators at promotion rates; and
- (d) ad-hoc purchase of hotel rooms from hotel operators or other suppliers.

BUSINESS

For sources (a), (b) and (c), our Group controls the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on gross basis as principal. For source (d), our Group does not control the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on net basis as agent.

(a) Guaranteed number of hotel rooms at Pre-determined Room Rates from hotel operators

Our Group cooperates with various hotel operators to secure guaranteed hotel rooms. Our Group entered into Hotel Rooms Guarantee Agreements with seven, seven and eight hotels (including L'Arc Hotel Macau and Waldo Hotel Macao), respectively, and secured 320, 377 and 396 hotel rooms per day on average for FY2017, FY2018 and 4M2019, respectively. Under such arrangement, our Group secured a stable supply of hotel rooms at Pre-determined Room Rates. For FY2017, FY2018 and 4M2019, the cost of guaranteed hotel rooms at Pre-determined Room Rates amounted to approximately HK\$81.5 million, HK\$115.8 million and HK\$43.2 million, respectively. For details of the Hotel Rooms Guarantee Agreements, please refer to the paragraph headed "Suppliers" in this section below.

Pursuant to the Hotel Rooms Guarantee Agreements, we guarantee the hotel operators that we purchase a fixed number of rooms at Pre-determined Room Rates covering a certain period of time generally ranging from three months to three years, and we place a deposit and/or bank guarantee normally ranging from MOP150,000 to MOP1,500,000 with each of the hotel operators. Such deposits and/or bank guarantee cannot be utilised for settlement of any amount due from our Group to the hotel operators, and will only be released to us when the relevant Hotel Rooms Guarantee Agreements with the hotel operators expire or are terminated. We generally settle with the hotel operators at the end of each month based on the guaranteed number of hotel rooms (regardless of whether we manage to sell and distribute those hotel rooms) at the Pre-determined Room Rates. The number of hotel rooms and room rates will usually be reviewed regularly with no material change during the term of the agreement other than under exceptional circumstances, such as hotel renovation.

(b) Hotel rooms purchased from hotel operators by way of allotment from time to time

Under this model, we enter into Allotment Agreements with hotel operators pursuant to which we are normally required to open an account and place a deposit with each of the hotel operators. The deposits will be deducted against any amount due from our Group to the hotel operators for the purchase of hotel rooms. Once the deposits are fully utilised, we need to replenish or place additional deposit with the hotel operators before we can place order for more hotel rooms. We are generally offered preferential room rates, but there is no guarantee by the hotel operators to provide us with the hotel rooms as requested and we are not required to commit to purchase a fixed number of hotel rooms. We may place booking with the hotel operators from time to time, which is subject to availability of the relevant hotel rooms and confirmation by the hotel operators. For details of the Allotment Agreements, please refer to the paragraph headed "Suppliers" in this section below.

BUSINESS

(c) Purchase of hotel rooms from hotel operators at promotion rates

From time to time, some hotel operators offer us promotions or hotel rooms at promotion rates, and such promotions normally last not more than one year. We guarantee to sell and distribute those additional rooms once we reach agreements with the hotel operators in relation to these additional rooms.

During the Track Record Period, mainly two hotels had provided promotion rates to us, namely Hotel Y and another hotel not being one of our five largest suppliers. Both of these hotels had entered into Hotel Rooms Guarantee Agreements with us during the Track Record Period, and the promotion rates arrangements were subject to the terms and conditions of the respective Hotel Rooms Guarantee Agreements (except for the hotel room rates).

(d) Ad-hoc purchase of hotel rooms from hotel operators or other suppliers

When we receive enquiries from our customers for hotel rooms of specific hotels which we do not have any contracts or arrangements with, we would contact the hotel operators directly or other suppliers and if any hotel rooms are available, and we would in general sell and distribute the hotel rooms to the customers with a mark-up on the room rates quoted by the hotel operators or other suppliers. As we do not have any agreement or arrangement with these hotel operators, we do not enjoy any Pre-determined Room Rates, preferential or special room rates.

Sales and distribution of hotel rooms

Our Group sold and distributed approximately 124,000 hotel rooms of over 40 hotels in Macau and approximately 800 hotel rooms of over 85 overseas hotels for FY2017; approximately 151,000 hotel rooms of over 40 hotels in Macau and approximately 410 hotel rooms of over 60 overseas hotels for FY2018; and approximately 52,000 hotel rooms of over 35 hotels in Macau and approximately 175 hotel rooms of over 30 overseas hotels for 4M2019. Among the hotel rooms we sold and distributed for FY2017, FY2018 and 4M2019, we sold and distributed approximately 52,000, 63,000 and 19,000 hotel rooms of L'Arc Hotel Macau purchased under our Hotel Rooms Guarantee Agreements, respectively.

BUSINESS

The following table sets out the breakdown of our revenue generated from the sales and distribution of hotel rooms of major hotels during the Track Record Period:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
L'Arc Hotel Macau	64,831	58.2	94,344	60.6	31,534	61.7	31,383	54.7
Waldo Hotel Macao	24,570	22.0	25,118	16.2	8,103	15.8	8,570	14.9
Pousada Marina Infante Macau	8,061	7.2	13,919	9.0	4,348	8.5	7,301	12.7
Regency Art Hotel	6,359	5.7	5,002	3.2	398	0.8	1,791	3.1
Hotel Y	2,048	1.8	2,668	1.7	1,477	2.9	1,684	2.9
Macau Roosevelt Hotel	—	—	6,094	3.9	1,822	3.6	3,749	6.5
Hotel V	1,748	1.6	5,204	3.3	2,096	4.1	1,333	2.3
Hotel W	1,395	1.3	1,582	1.0	699	1.4	730	1.3
Hotel P	—	—	—	—	—	—	486	0.9
Hotels for which our Group earned margin income	2,439	2.2	1,739	1.1	637	1.2	400	0.7
Total revenue generated from the sales and distribution of hotel rooms	<u>111,451</u>	<u>100.0</u>	<u>155,670</u>	<u>100.0</u>	<u>51,114</u>	<u>100.0</u>	<u>57,427</u>	<u>100.0</u>

The following tables set out the breakdown of the number of hotel rooms sold and distributed of major hotels during the Track Record Period:

FY2017

	Number of hotel rooms sold and distributed					
	Through Customer A (Note 2)	Through other Selected Partners (Note 2)	To Customer A (Note 3)	To other Selected Partners (Note 3)	By direct sales/to non-Selected Partners	Total
L'Arc Hotel Macau	44,496	2,448	—	—	5,611	52,555
Waldo Hotel Macao	—	—	31,182	4,962	—	36,144
Pousada Marina Infante Macau	—	—	11,225	1,620	153	12,998
Regency Art Hotel	—	—	10,615	—	47	10,662
Hotel Y	—	—	1,620	—	—	1,620
Hotel V	—	—	2,462	—	—	2,462
Hotel W	—	—	1,447	—	—	1,447
Hotels for which our Group earned margin income (Note 1)	<u>—</u>	<u>—</u>	<u>3,265</u>	<u>—</u>	<u>4,005</u>	<u>7,270</u>
Total	<u>44,496</u>	<u>2,448</u>	<u>61,816</u>	<u>6,582</u>	<u>9,816</u>	<u>125,158</u>

BUSINESS

FY2018

Number of hotel rooms sold and distributed						
	Through Customer A (Note 2)	Through other Selected Partners (Note 2)	To Customer A (Note 3)	To other Selected Partners (Note 3)	By direct sales/to non- Selected Partners	Total
L'Arc Hotel Macau	42,706	—	—	8,485	11,614	62,805
Waldo Hotel Macao	—	—	30,121	4,670	496	35,287
Pousada Marina Infante Macau	—	—	—	21,571	5	21,576
Regency Art Hotel	—	—	7,024	—	—	7,024
Hotel Y	—	—	2,048	—	—	2,048
Macau Roosevelt Hotel	—	—	—	7,178	29	7,207
Hotel V	—	—	—	8,191	—	8,191
Hotel W	—	—	1,751	—	—	1,751
Hotels for which our Group earned margin income (Note 1)	—	—	2,396	8	2,940	5,344
Total	<u>42,706</u>	<u>—</u>	<u>43,340</u>	<u>50,103</u>	<u>15,084</u>	<u>151,233</u>

4M2019

Number of hotel rooms sold and distributed						
	Through Customer A (Note 2)	Through other Selected Partners (Note 2)	To Customer A (Note 3)	To other Selected Partners (Note 3)	By direct sales/to non- Selected Partners	Total
L'Arc Hotel Macau	9,312	—	—	6,307	3,242	18,861
Waldo Hotel Macao	—	—	11,998	—	2	12,000
Pousada Marina Infante Macau	—	—	—	9,600	—	9,600
Regency Art Hotel	—	—	2,590	—	—	2,590
Hotel Y	—	—	1,355	—	—	1,355
Macau Roosevelt Hotel	—	—	—	3,601	—	3,601
Hotel V	—	—	—	1,791	—	1,791
Hotel W	—	—	825	—	—	825
Hotel P	—	—	202	—	—	202
Hotels for which our Group earned margin income (Note 1)	—	—	210	—	933	1,143
Total	<u>9,312</u>	<u>—</u>	<u>17,180</u>	<u>21,299</u>	<u>4,177</u>	<u>51,968</u>

Notes:

1. It represented the hotel rooms sold and distributed by our Group as an agent under which there were no pre-determined arrangement, and our Group earned margin income on net basis.

BUSINESS

2. It represented the hotel rooms sold and distributed by our Group under the Distribution Agreements.
3. It represented the hotel rooms sold and distributed by our Group under the Cooperation Agreements and Framework Agreements.

(ii) Car rental services

During the Track Record Period, our Group provided (a) tourism-purpose car rental services; and (b) Multi-purpose Car Rental Services to corporate and retail customers. Chauffeur can be provided on request for both services. Our tourism-purpose car rental services are operated under our travel agent licence and must be provided for tourism-purpose only, whereas our Multi-purpose Car Rental Services are operated under the authorisation granted by the MGTO and there is no specific restriction on the usage of the vehicles. According to the Ipsos Report, as at 30 June 2019 four companies were permitted to provide Multi-purpose Car Rental Services as compared to 227 companies permitted to provide tourism-purpose car rental services in Macau.

The following table sets forth the breakdown of revenue generated from the provision of car rental services by type of service during the Track Record Period:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Tourism-purpose car rental services	4,980	100.0	3,185	37.1	1,615	100.0	637	14.9
Multi-purpose Car Rental Services	—	—	5,400	62.9	—	—	3,644	85.1
Total revenue generated from the provision of car rental services	<u>4,980</u>	<u>100.0</u>	<u>8,585</u>	<u>100.0</u>	<u>1,615</u>	<u>100.0</u>	<u>4,281</u>	<u>100.0</u>

For the provision of car rental services to retail customers, upon agreeing the service details such as the pickup point, number of passengers and billable amount, our Group would issue confirmations and bills to the customers. For the provision of car rental services to corporate customers, our Group would enter into car rental agreements with them, setting out, among other things, the rental period, monthly rental and renewal arrangements.

As at 30 April 2019, our Group had 36 private cars and nine coaches, of which all coaches were for tourism-purpose car rental services and most of them were under long-term leases to corporate customers (including travel agents). As at 30 April 2019, our Group had a fleet of 13 vehicles for tourism-purpose car rental services, 29 vehicles for Multi-purpose Car Rental Services and 3 vehicles reserved for point-to-point cross-border transportation services. Each of the vehicles is registered with relevant regulatory authorities either for the provision of (i) tourism-purpose car rental services; (ii) Multi-purpose Car Rental Services; or (iii) point-to-point cross-border transportation services. We plan to commence our point-to-point cross-border transportation services in the fourth quarter of

BUSINESS

2019. The details of our point-to-point cross-border transportation services are set out in the paragraph headed “Product and services — (iv) Point-to-point cross-border transportation services” in this section below. The table below set forth the utilisation rate of our car fleet for each type of car rental services during the Track Record Period:

	FY2017		FY2018		4M2019	
	<i>Number</i>	<i>Utilisation</i>	<i>Number</i>	<i>Utilisation</i>	<i>Number</i>	<i>Utilisation</i>
	<i>in fleet</i>	<i>rate</i>	<i>in fleet</i>	<i>rate</i>	<i>in fleet</i>	<i>rate</i>
		<i>%^(Note 1)</i>		<i>%^(Note 1)</i>		<i>%^(Note 1)</i>
Tourism-purpose car rental services	8	100.3	13	87.2	13	83.2
Multi-purpose Car Rental Services	N/A ^(Note 2)	N/A ^(Note 2)	31	86.8	29	105.4
Total number in fleet / Average utilisation rate	8	100.3	44	86.9	42	97.9

Notes:

- Utilisation rate is calculated based on the actual number of hours each vehicle was rented out during the respective year divided by the estimated aggregated operating hours of all vehicles in the assumption that each vehicle operates 10 hours a day and operates 352 days per year which the remaining 13 days per year are for regular maintenance.
- Our Group commenced Multi-purpose Car Rental Services in May 2018.

For illustrative purpose, the following table sets forth the gross profit margin of our vehicles for tourism-purpose car rental services (excluding the coaches) and Multi-purpose Car Rental Services (excluding the coaches) for the years/period:

	FY2017	FY2018	4M2019
Tourism-purpose car rental services	24.5%	27.8%	N/A ^(Note1)
Multi-purpose Car Rental Services	N/A ^(Note2)	31.3%	29.5%

Notes:

- Our Group did not generate revenue from tourism-purpose car rental services from vehicles (excluding coaches) during 4M2019.
- Our Group commenced Multi-purpose Car Rental Services in May 2018.

Considering that during the Track Record Period, the gross profit margin of Multi-purpose Car Rental Services was higher than that for tourism-purpose car rental services, our Directors are of the view that the shifting of more business to Multi-purpose Car Rental Services would enable our Group to achieve a higher growth and recover our investment cost at a higher rate for our car rental services, as well as having more flexibility to provide the car rental services to our customers.

BUSINESS

The following table sets forth the average number of years used and remaining useful life of our vehicles for the years/period indicated:

	FY2017		FY2018		4M2019	
	<i>Average years used</i>	<i>Remaining useful life (Note 1)</i>	<i>Average years used</i>	<i>Remaining useful life (Note 1)</i>	<i>Average years used</i>	<i>Remaining useful life (Note 1)</i>
Tourism-purpose car rental services	1.1	3.9	1.3	3.7	1.6	3.4
Multi-purpose Car Rental Services	N/A ^(Note 2)	N/A ^(Note 2)	0.6	4.4	1.0	4.0
Overall average	1.1	3.9	0.8	4.2	1.2	3.8

Notes:

1. The remaining useful life is based on the useful life of a vehicle, i.e. 5 years, deducted by its years used. The useful life of a vehicle is only an estimate with reference to its economic useful life under our accounting policy. In practice, if the vehicle is properly maintained, it can be used beyond the end of its estimated useful life.
2. Our Group commenced Multi-purpose Car Rental Services in May 2018.

(a) Tourism-purpose car rental services

During the Track Record Period, our Group provided in-city chauffeur-driven tourism-purpose car rental services to retail and corporate customers (including travel agents and hotels), and we also leased coaches without chauffeur to travel agents. The tourism-purpose car rental services are operated under our travel agent licence. As governed by the Macau Law, the tourism-purpose car rental services must be provided for tourism-purpose only.

As at 31 December 2017, 2018 and 30 April 2019, we had 8, 13 and 13 vehicles for the provision of tourism-purpose car rental services, respectively. Such vehicles are mainly driven by our employees. We usually charge our customers on an hourly basis or by trip. For FY2017, FY2018 and 4M2019, we have entered into two long term agreements covering a period of one to five years with corporate customers. For FY2017, FY2018 and 4M2019, our revenue generated from the provision of tourism-purpose car rental services amounted to approximately HK\$5.0 million, HK\$3.2 million and HK\$0.6 million, respectively, representing approximately 4.2%, 1.9% and 1.0% of our total revenue, respectively.

(b) Multi-purpose Car Rental Services

Our Group started to offer our Multi-purpose Car Rental Services to retail and corporate customers (including travel agents and hotels) in May 2018 pursuant to the authorisation granted by the MGTO to us in November 2017. Under this authorisation, there is no specific restriction on the usage of the vehicles (e.g. there is no requirement that the car rental services under this authorisation must be provided for tourism-purpose). For FY2017, FY2018 and 4M2019, we generated revenue of approximately HK\$nil, HK\$5.4 million and HK\$3.6 million from the provision of Multi-purpose Car Rental Services, respectively.

BUSINESS

As at 30 June 2019, only four companies in Macau possessed the authorisation to provide self-drive rent-a-car services, of which only two of those companies (including us) are providing both travel agent services and such car rental services. As at 31 December 2017 and 2018 and 30 April 2019, we had nil, 31 and 29 vehicles for the provision of Multi-purpose Car Rental Services, respectively. For FY2018, self-drive rent-a-car services constituted approximately 36.5% and 46.0% of our Multi-purpose Car Rental Services in terms of revenue and number of service hours, respectively. For 4M2019, self-drive rent-a-car services constituted approximately 18.2% and 52.0% of our Multi-purpose Car Rental Services in terms of revenue and number of service hours, respectively.

For FY2018, the utilisation rate of our drivers for Multi-purpose Car Rental Services was approximately 118.2%, which is calculated based on the actual working hours for each driver during the year divided by the total available hours on the assumption that each driver works 48 hours per week and 358 days per year. Given that the number of working hours per day and working days a year for our drivers is less than that of our vehicles, the utilisation rate of drivers was thus higher than our vehicles. For 4M2019, the utilisation rate of our drivers for Multi-purpose Car Rental Services was approximately 119.0%.

(iii) Air tickets and other ancillary travel-related products and services

Our Group also offers air tickets and other ancillary travel-related products and services to our customers. Our ancillary travel-related products and services include entertainment tickets, buffet tickets, transportation tickets, travel insurance and visa applications. During peak seasons when our car fleet cannot fully meet the demand of our customers, we would engage independent third parties on an ad hoc basis to provide car rental services, including the drivers, to our customers which we usually charge our customers on a cost plus basis. For FY2017, FY2018 and 4M2019, the total revenue generated from these products or services by our Group were approximately HK\$1.2 million, HK\$1.4 million and HK\$0.4 million, respectively, representing approximately 1.0%, 0.8% and 0.7% of our total revenue, respectively.

(iv) Point-to-point cross-border transportation services

As at 30 June 2019, our Group has been granted three out of 40 permits by the Transport Bureau of Macau, each of which allows one vehicle to cross the HZMB. Our Group has no current intention to provide cross-border services from/to the PRC and the current permits granted to our Group do not permit us to do so. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services between Macau and Hong Kong. We have been liaising closely with different government authorities in Hong Kong in relation to the application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services in the fourth quarter of 2019 and target to provide such service mainly to high-end and business travellers. Given the close ties between Zhuhai, Macau and Hong Kong after the opening of the HZMB, our Directors believe that such permits enable us to further strengthen our one-stop service to extend to business travellers and customers with higher spending power.

BUSINESS

SALES AND MARKETING

Sales and distribution channels

We mainly sell our products and services to travel agents and corporate customers, and the remaining directly to individual customers through our service points and third-party online travel agent platforms. During the Track Record Period, our sales and distribution channels included (i) sales to and through Selected Partners; (ii) travel agents (other than Selected Partners); (iii) third-party online travel agent platforms; (iv) direct sales through our service points; and (v) direct sales to corporate customers.

The following table sets forth the breakdown of our total revenue generated from different sales and distribution channels during the Track Record Period:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Sales and distribution of hotel rooms:								
Selected Partners:	102,749	87.4	135,661	81.9	43,242	81.2	51,675	83.2
- Sales to Selected Partners under arrangement ^(Note 1)	44,101	37.5	71,461	43.1	18,681	35.1	36,651	59.0
- Margin income ^(Note 2)	1,421	1.2	959	0.6	274	0.5	115	0.2
- Sales through Selected Partners ^(Note 3)	57,227	48.7	63,241	38.2	24,287	45.6	14,909	24.0
Travel agents (other than Selected Partners)	121	0.1	3,569	2.2	1,892	3.6	625	1.0
Third-party online travel agent platforms	2	0.0	3,695	2.2	1,232	2.3	699	1.1
Direct sales through our service points	7,852	6.7	11,330	6.8	3,850	7.2	4,135	6.6
Direct sales to corporate customers	727	0.6	1,415	0.9	898	1.7	293	0.5
	<u>111,451</u>	<u>94.8</u>	<u>155,670</u>	<u>94.0</u>	<u>51,114</u>	<u>96.0</u>	<u>57,427</u>	<u>92.4</u>
Provision of car rental services:								
Selected Partners	51	0.0	1,199	0.7	2	0.0	1,274	2.1
Travel agents (other than Selected Partners)	2,856	2.4	2,254	1.4	885	1.7	864	1.4
Third-party online travel agent platforms	16	0.0	77	0.0	25	0.0	72	0.1
Direct sales through our service points	550	0.5	664	0.4	117	0.2	65	0.1
Direct sales to corporate customers	1,507	1.3	4,391	2.7	586	1.1	2,006	3.2
	<u>4,980</u>	<u>4.2</u>	<u>8,585</u>	<u>5.2</u>	<u>1,615</u>	<u>3.0</u>	<u>4,281</u>	<u>6.9</u>

BUSINESS

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Sales and provision of air tickets and other ancillary travel-related products and services:								
Selected Partners	4	0.0	15	0.0	10	0.0	7	0.0
Travel agents (other than Selected Partners)	147	0.1	160	0.1	40	0.1	29	0.0
Third-party online travel agent platforms	17	0.0	133	0.1	24	0.0	96	0.2
Direct sales through our service points	93	0.1	91	0.0	35	0.1	41	0.1
Direct sales to corporate customers	936	0.8	1,008	0.6	427	0.8	276	0.4
	<u>1,197</u>	<u>1.0</u>	<u>1,407</u>	<u>0.8</u>	<u>536</u>	<u>1.0</u>	<u>449</u>	<u>0.7</u>
Total revenue	<u>117,628</u>	<u>100.0</u>	<u>165,662</u>	<u>100.0</u>	<u>53,265</u>	<u>100.0</u>	<u>62,157</u>	<u>100.0</u>

Notes:

1. It represented our revenue generated from the Selected Partners under the Cooperation Agreements and Framework Agreements. For details of the Cooperation Agreements and Framework Agreements, please refer to the paragraph headed “Sales and marketing — Sales and distribution channels — Selected Partners” in this section below.
2. It represented the hotel rooms sold and distributed by our Group as agent under which there was no pre-determined arrangement.
3. It represented our revenue generated through the Selected Partners under the Distribution Agreements. For details of the Distribution Agreements, please refer to the paragraph headed “Sales and marketing — Sales and distribution channels — Selected Partners” in this section below.

During the Track Record Period, we mainly sold and distributed our hotel rooms to and through the Selected Partners. For FY2017, FY2018 and 4M2019, our revenue generated from the sales and distribution of hotel rooms to and through the Selected Partners constituted approximately 92.2%, 87.1% and 90.0% of our total revenue generated from the sales and distribution of hotel rooms, respectively. Our Group has implemented various measures to monitor our Selected Partners, including (i) reviewing monthly sales reports submitted by the Selected Partners; (ii) checking the retail price executed by the Selected Partners against our price instructions (in the case of the retail price being pre-determined by our Group under the Distribution Agreements); and (iii) reviewing the customer lists from the Selected Partners before sending reserved orders to hotel operators.

Other than the Selected Partners, we have not entered into any material contract with other customers including travel agents. We therefore have no control over them, and have no control or any avoidance of competition between different levels of travel agent customers other than the Selected Partners.

BUSINESS

According to the Ipsos Report, it is a market norm and is a main distribution channel for hotel operators to sell hotel rooms through wholesale travel agents, which are able to sell and distribute the hotel rooms to retail travel agents. As disclosed in the paragraph headed “Industry overview — Overview of the tourism industry in Macau” in this prospectus, large-scale hotels (with 1,000 rooms or above) generally distribute around 60% to 70% of their rooms through their associated wholesale agents and small to medium-scale hotels (with less than 1,000 rooms) distribute up to 80% to 90% of their rooms to wholesale travel agents. Most of the hotel operators adopt similar distributorship models and distribute hotel rooms through wholesale travel agents to save marketing and operating costs for promoting their rooms, especially during off-peak travel seasons. In addition, some hotel operators focus on catering services or entertainment and retail income as major revenue sources instead of the sales and distribution of hotel rooms. It is important for hotel operators which adopt this business model to maintain high occupancy rates through promotion or discount of rooms to ensure high customer flow for their catering, entertainment and retail services. Travel agents therefore can leverage their marketing capability and business network to distribute rooms for hotels to achieve higher occupancy rates. In addition, the hotel operators can save a lot of administrative work by dealing with a small number of wholesale travel agents under this business model. We believe that our travel agent customers, through their distribution networks, enable us to reach a broader customer base at lower costs.

We generally do not accept any return or cancellation of hotel rooms once they are sold.

Selected Partners

As at 31 December 2017, 2018 and 30 April 2019, we had four, five and four Selected Partners, respectively. The following table sets forth the changes in the number of the Selected Partners which had transactions with us during each of the year/period of the Track Record Period:

	FY2017	FY2018	4M2019
At beginning of the year/period	1	4	5
Increase during the year/period	3	2	—
Decrease during the year/period	—	(1)	(1)
At end of the year/period	<u>4</u>	<u>5</u>	<u>4</u>

During the Track Record Period, we have entered into various types of sales and distribution agreements with the Selected Partners in respect of the sales and distribution of hotel rooms, which in general could be classified into the Cooperation Agreements, the Distribution Agreements and the Framework Agreements.

BUSINESS

The following table sets forth the major terms and characteristics of the Cooperation Agreements, the Distribution Agreements and the Framework Agreements:

	Cooperation Agreement	Distribution Agreement	Framework Agreement
<i>Selected Partners during the Track Record Period</i>	Customer A; Customer B; Customer C; 廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.*)	Customer A; 廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.*)	廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.*); Hai Yang Company Limited; Good Trip Travel Agency Limited
<i>Term</i>	Mainly three years	Mainly three years	Ranging from four months to three years
<i>Scope of services</i>	Our Group sells and distributes an agreed number of hotel rooms to the Selected Partners, and the Selected Partners are responsible for the sales and distribution of the hotel rooms	Our Group sells and distributes the hotel rooms through the Selected Partners, which sell and distribute the hotel rooms on behalf of our Group	Our Group sells and distributes the hotel rooms to the Selected Partners
<i>Major hotels</i>	Waldo Hotel Macao; Pousada Marina Infante Macau; Regency Art Hotel; Hotel Y; Macau Roosevelt Hotel; Hotel V; Hotel W; Hotel P	L'Arc Hotel Macau	L'Arc Hotel Macau; Pousada Marina Infante Macau; Macau Roosevelt Hotel; Hotel V
<i>Retail Price of hotel rooms</i>	At the discretion of the Selected Partners ^(Note 1)	Pre-determined by our Group	At the discretion of the Selected Partners ^(Note 1)

Note 1: Including those hotel rooms sold to the Selected Partners for their own use.

BUSINESS

	Cooperation Agreement	Distribution Agreement	Framework Agreement
<i>Purchase commitment by the Selected Partners</i>	Yes, either the number of hotel rooms is pre-determined by our Group or fully committed for the number of hotel rooms offered by our Group from time to time ^(Note 2)	No	No
<i>Customers to our Group</i>	Selected Partners ^(Note 3)	End-customers ^(Note 4)	Selected Partners ^(Note 3)
<i>Capacity of the Selected Partners to our Group</i>	Customer of our Group ^(Note 3)	Distribution agent ^(Note 4)	Customer of our Group ^(Note 3)
<i>Pricing policy to our customers</i>	Take into account of the Pre-determined Room Rates and negotiate with the relevant Selected Partners to arrive at a selling price at which our Group and the relevant Selected Partners can make a profit.	Take into account of the Pre-determined Room Rates and the expected market demand (e.g. whether the relevant day is a weekday, weekend or festival period). Our Group also considers the market demand and feedback on the spot as reflected by the Selected Partners.	Take into account of the Pre-determined Room Rates and negotiate with the relevant Selected Partners to arrive at a selling price at which our Group and the relevant Selected Partners can make a profit.

Note 2: Pursuant to the Cooperation Agreements, the Selected Partners will undertake to purchase from us a committed number of hotel rooms over an agreed period. This arrangement enables us to secure our revenue stream regardless of the market condition of the tourism industry in Macau. For FY2017, FY2018 and 4M2019, the Selected Partners committed and purchased approximately 65,000, 77,000 and 17,000 hotel rooms from us, of which approximately 59,000, 41,000 and 17,000 hotel rooms were committed and purchased by Customer A, respectively.

Note 3: Under the Cooperation Agreements and Framework Agreements, the Selected Partners are regarded as the customers of our Group. The revenue generated from the sales and distribution of hotel rooms under the Cooperation Agreements and Framework Agreements are regarded as the revenue generated from the Selected Partners.

Note 4: Under the Distribution Agreements, the end-customers are the customers of our Group. The revenue generated from the sales and distribution of hotel rooms under the Distribution Agreements are regarded as the revenue generated through the Selected Partners.

BUSINESS

	Cooperation Agreement	Distribution Agreement	Framework Agreement
<i>Profit and loss sharing arrangement</i>	Yes	Yes	No
<i>Required deposit from the Selected Partners</i>	No	No	No
<i>Termination clause</i>	Agreement will be terminated if the travel agent licence of either party is invalidated	Agreement will be terminated if the travel agent licence of either party is invalidated	No
<i>Term of automatic renewal</i>	Yes, unless either party gives one-month notice not to renew prior to expiry	Yes, unless either party gives one-month notice not to renew prior to expiry	No
<i>Role of our Group</i>	Principal ^(Note 5)	Principal ^(Note 5)	Principal ^(Note 5)
<i>Revenue recognition policy</i>	Gross ^(Note 6)	Gross ^(Note 6)	Gross ^(Note 6)
<i>Revenue to be presented under revenue of our Group in the Accountants' Report</i>	Gross proceeds generated from the sales of hotel rooms by the Selected Partners, after deducting the profit or loss to be borne by the Selected Partners at a pre-determined ratio	Entire gross proceeds generated from the sales and distribution of hotel rooms through the Selected Partners, being the room rates charged to customers by the Selected Partners	Entire gross proceeds generated from the sales of hotel rooms to the Selected Partners
<i>Costs of sales to be presented in the Accountants' Report</i>	Cost of hotel rooms charged by hotel operators	Cost of hotel rooms charged by hotel operators plus the distribution service fees to the Selected Partners at a pre-determined ratio with reference to the profit or loss generated from the sales and distribution of hotel rooms	Cost of hotel rooms charged by hotel operators

BUSINESS

Note 5: Our Group has purchased hotel rooms from hotel operators and is committed to pay for the hotel rooms to the hotel operators prior to the hotel rooms being sold by/assigned to the Selected Partners for revenue under the captioned agreement, thus we consider we act as principal under the relevant HKFRSs. Irrespective of the type of agreement entered into with the Selected Partners, the basis to which our revenue is recognised on gross or net shall be determined with reference to the source of hotel rooms. For further details of the basis of our Group being a principal or agent for revenue recognition from the sales and distribution of hotel rooms, please refer to the paragraph headed “Products and services — Sales and distribution of hotel rooms” in this section above.

Note 6: For details, please refer to the paragraph headed “Financial information — Critical accounting policies and estimates — Revenue recognition” in this prospectus.

Profit and loss sharing arrangement

During the Track Record Period, our Group secured the hotel rooms under the Hotel Rooms Guarantee Agreements. As disclosed in the paragraph headed “Suppliers” in this section below, in the event our Group fails to sell and distribute the hotel rooms, we are still obliged to pay the hotel operators at the Pre-determined Room Rates.

Under the Distribution Agreements and Cooperation Agreements, a profit and loss sharing arrangement is in place, pursuant to which the Selected Partners were entitled to share the profits from the sales and distribution of hotel rooms at a pre-determined ratio and share any losses at the same ratio.

Considering that (i) our Group has inventory risk with respect to the hotel rooms; and (ii) the overall profitability of the profit sharing arrangement to the Selected Partners, our Directors consider that it was commercially fair, and was agreed between our Group and the Selected Partners, that the Selected Partners also shared the losses from the sales and distribution of hotel rooms at the same ratio. Furthermore, our Directors are of the view that the loss sharing arrangement aligned the interest of our Group and the Selected Partners and incentivised the Selected Partners to prioritise the sales and distribution of our hotel rooms to maximise profit and minimise loss.

According to the Ipsos Report, depending on the relationship established between the travel agencies, different profit sharing terms shall be negotiated. As confirmed by Ipsos, the pre-determined ratio of profit and loss sharing under the Distribution Agreements and Cooperation Agreements are in line with market practice.

BUSINESS

The table below sets forth (i) the losses which were borne by our Group from the sales and distribution of hotel rooms under the Cooperation Agreements; and (ii) the portion of losses attributable to our Group with reference to the losses from sales and distribution of hotel rooms under the Distribution Agreements during the Track Record Period:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Distribution Agreements	(1,075)	(800)	(236)	(164)
Cooperation Agreements	(625)	(970)	(450)	(185)

Loss sharing by the Selected Partners under the Distribution Agreements

Under the Distribution Agreements, our Group retained the option to determine the number of hotel rooms of L'Arc Hotel Macau to be allotted, and thus the number of hotel rooms to be sold and distributed by the Selected Partners. As such, our Group did not undertake to allocate to the Selected Partners, and the Selected Partners did not commit to purchase from our Group, a pre-determined number of hotel rooms of L'Arc Hotel Macau.

Generally, from time to time, our Group would allocate to the Selected Partners the number of hotel rooms of L'Arc Hotel Macau to be sold and distributed by the Selected Partners, and the Selected Partners would assume the distribution commitment to sell and distribute such hotel rooms to the effect that the profit and loss from the sales and distribution of those hotel rooms were shared among our Group and the Selected Partners at the above-mentioned pre-determined ratio. As such, despite that the Selected Partners have no contractual purchase commitment under the Distribution Agreements, they have a distribution commitment for the agreed number hotel rooms of L'Arc Hotel Macau allotted to them.

During the Track Record Period, due to a higher demand for the hotel rooms of L'Arc Hotel Macau during weekends and festival periods (“**Peak Season**”), generally the profit margin for Peak Season was considerably higher than that for weekdays. The loss rooms mainly occurred on weekdays. Typically, the prices of the hotel rooms were subject to fluctuation during the day, which means that during the same day on which loss room occurred, there were also hotel rooms being sold at a profit. In other words, on a given day, there could be a mix of profit rooms and loss rooms. In addition, if there remained unsold rooms towards the close of business during the day, our Group would lower the selling price of the hotel rooms so as to increase the chance of selling the rooms and to minimise losses. From the perspective of the Selected Partners, their willingness to agree to sell and distribute hotel rooms of L'Arc Hotel Macau during weekdays and share any loss therefrom if so occurred provided an incentive to our Group to continue the supply of hotel rooms of L'Arc Hotel Macau to the Selected Partners during the Peak Season. In other words, the Selected Partners shared the losses during weekdays with a view to having access to the hotel rooms with higher profit during Peak Season which would outweigh any losses shared by them during weekdays. Equally, our Group had an incentive to supply the hotel rooms of L'Arc Hotel Macau to the Selected Partners during Peak Season such that the Selected Partners would continue their distribution commitment during weekdays to sell and distribute the hotel rooms of L'Arc Hotel Macau and share any loss if so occurred.

BUSINESS

In addition, our Group retained the price-determination rights such that the price at which the hotel rooms of L'Arc Hotel Macau sold and distributed by the Selected Partners was determined by our Group. Our Directors consider that it was commercially fair that the Selected Partners did not have contractual purchase commitment whilst our Group retained the price-determination rights of hotel rooms of L'Arc Hotel Macau. Despite that the Selected Partners had no contractual purchase commitment, they had a financial incentive to take up the distribution commitment and share any losses if so occurred.

Loss sharing by the Selected Partners under the Cooperation Agreements

Under the Cooperation Agreements, the Selected Partners have the price-determination rights of the hotels rooms and are not required to pay us deposit. From the perspective of the Selected Partners, their willingness to share any loss with us provided an incentive to our Group to continue the business relationship with them under the Cooperation Agreements, whereby the Selected Partners have access to sell and distribute the hotel rooms at prices determined by them without having to pay upfront deposits to the hotel operators and have the discretion to determine the retail price of the hotel rooms.

Details of the Selected Partners

The following table sets forth the details of our Selected Partners during the Track Record Period:

Customer	Principal activities	Place of incorporation	Types of arrangement with our Group for the sales and distribution of hotel rooms			Year of commencement as Selected Partner	Year of cessation as Selected Partner	Major hotels involved under the arrangement			Total hotel rooms sold and distributed to and through the customer under the arrangement of (i), (ii) and (iii)			Revenue generated from the customer under the arrangement of (i) and (iii) for the sales and distribution of hotel rooms			Revenue generated through the customer under the arrangement of (ii) for the sales and distribution of hotel rooms		
			Types of products/services	FY2017	FY2018			4M2019	FY2017	FY2018	4M2019	FY2017	FY2018	4M2019	FY2017	FY2018	4M2019	FY2017	FY2018
Customer A	Travel agent	Macau	Hotel rooms, car rental services and other travel-related ancillary products	(i); (ii)	(i); (ii)	(i); (ii)	2016	N/A	L'Arc Hotel Macau; Pousada Marina Infante; Regency Art Hotel; Macao; Regency Art Hotel; Waldo Hotel Y; Hotel W; Hotel V; Hotel Y	L'Arc Hotel Macau; Regency Art Hotel; Waldo Hotel; Macao; Macao; Regency Art Hotel; Waldo Hotel Y; Hotel P	103,047	83,650	26,382	39,706	30,755	13,258	53,889	63,241	14,909
				(i)	(i)	(i)			Waldo Hotel Macao	L'Arc Hotel Macau	3,850	4,670	N/A	2,524	3,352	N/A	N/A	N/A	N/A
Customer B	Travel agent	the PRC	Hotel rooms	(i)	(i)	(i); (ii)	2017	N/A	L'Arc Hotel Macau; Pousada Marina Infante; Regency Art Hotel; Macao; Hotel W; Hotel Y; Hotel Macao; Hotel Y; Hotel W; Hotel Y	Pousada Marina Infante; Macao; Macao; Regency Art Hotel; Waldo Hotel; Macao; Hotel Y; Hotel P	4,068	36,940	14,992	1,121	25,213	12,383	3,338	N/A	N/A
				(i); (ii)	(i); (ii)	(i); (ii)			Waldo Hotel Macao	L'Arc Hotel Macau	3,850	4,670	N/A	2,524	3,352	N/A	N/A	N/A	N/A
Customer C	Travel agent	the PRC	Hotel rooms	(i)	N/A	N/A	2017	2018	Waldo Hotel Macao	N/A	1,112	N/A	N/A	750	N/A	N/A	N/A	N/A	N/A
				(i)	N/A	N/A			Waldo Hotel Macao	N/A	1,112	N/A	N/A	750	N/A	N/A	N/A	N/A	N/A
Good Trip Travel Agency Limited	Travel agent	Macau	Hotel rooms and car rental services	N/A	(iii)	(iii)	2018	N/A	L'Arc Hotel Macau	L'Arc Hotel Macau	N/A	1,800	3,592	N/A	2,859	5,756	N/A	N/A	N/A
				(i)	(i)	(i)			L'Arc Hotel Macau	L'Arc Hotel Macau	N/A	1,800	3,592	N/A	2,859	5,756	N/A	N/A	N/A
											44,101	71,461	36,651	57,227	63,241	14,909			

BUSINESS

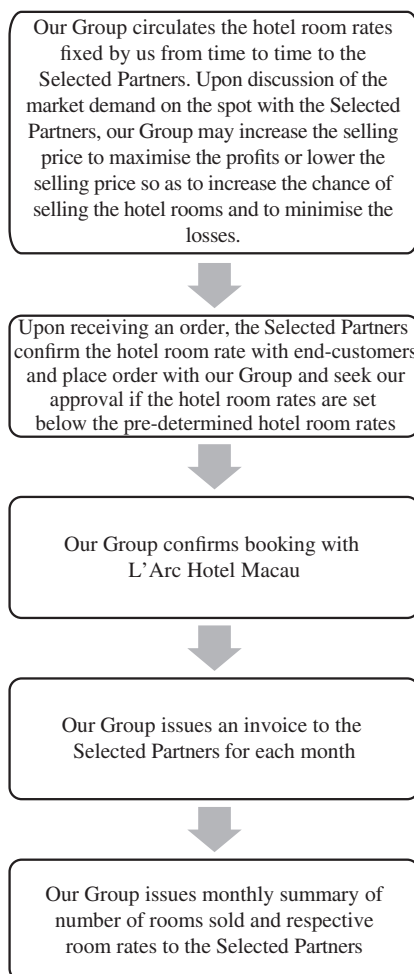
Selection of Selected Partners

Our sales department is primarily responsible for the selection of Selected Partners. Our Group will take into account, among others, (i) credibility; (ii) reputation; (iii) background and experience; (iv) size; (v) payment history; and (vi) types and nature of its customer base to evaluate a potential partner before entering into written agreements with it.

Types of arrangement with Selected Partners

There are in general two types of arrangement with Selected Partners (other than corporate customers) for the sales and distribution of guaranteed hotel rooms:

- (i) Our Group determines the price of hotel rooms being sold and distributed by the Selected Partners under the Distribution Agreements.
 - (ii) The Selected Partners determine price of hotel rooms being sold and distributed under the Cooperation Agreements and Framework Agreements.
- (i) **Workflow for hotel rooms sold and distributed by the Selected Partners of which the room rates are determined by us**



BUSINESS

During the Track Record Period, the sales and distribution of hotel rooms of L'Arc Hotel Macau through the Selected Partners was conducted under this model. Under this model, the selling price at which the hotel rooms are sold and distributed by the Selected Partners have to comply with the hotel room rates pre-determined by our Group. The pre-determined room rate set by our Group is made with reference to, among others, the expected market demand (e.g. whether the relevant day is a weekday, weekend or festival period), the popularity of the hotel rooms, our room availability, and our market research on the pricing of hotel rooms from other similar grades of hotels. Our Group also considers the market demand and feedback on the spot as reflected by the Selected Partners. Upon discussion with the Selected Partners, our Group may increase the selling price to maximise the profits or lower the selling price so as to increase the chance of selling the hotel rooms and to minimise the losses. From time to time, we adjust our allocation of our hotel rooms among the Selected Partners in response to the market conditions in order to maximise our profits. Revenue generated from the sales and distribution of hotel rooms is presented on gross basis as principal in the consolidated financial statements as our Group is committed to payment to the hotels and controls the hotel rooms before those hotel rooms are transferred to customers. For further details of the basis of our Group being a principal or agent for revenue recognition from the sales and distribution of hotel rooms, please refer to the paragraph headed "Products and services — Sales and distribution of hotel rooms" in this section above.

For FY2017, FY2018 and 4M2019, our Group generated revenue from the sales and distribution of guarantee hotel rooms through the Selected Partners which we determined the price amounted to approximately HK\$57.2 million, HK\$79.9 million and HK\$38.3 million, respectively. In addition, we paid a net distribution service fees of approximately HK\$5.1 million, HK\$4.8 million and HK\$1.0 million for FY2017, FY2018, 4M2019, respectively, to the Selected Partners under the terms of the Distribution Agreement as an incentive, which was based on a pre-determined ratio with reference to the result of profit or loss from the sales and distribution of hotel rooms sold and distributed by the Selected Partners. As a result, approximately HK\$0.5 million, HK\$0.3 million and HK\$70,000 has been deducted from the distribution service fees paid to the Selected Partners for FY2017, FY2018 and 4M2019, respectively, being the result of loss from the sales and distribution of hotel rooms sold and distributed by the Selected Partners.

Circulate the hotel room rates

For this business model, our Group usually circulates the tentative hotel room rates (subject to our further adjustment) for the coming one to two weeks to the Selected Partners at least a week in advance. The Selected Partners has to follow the hotel room rates circulated by us. From time to time, our Group will update the hotel room rates to reflect the then market demand and feedback on the spot.

Confirm the booking with our Group

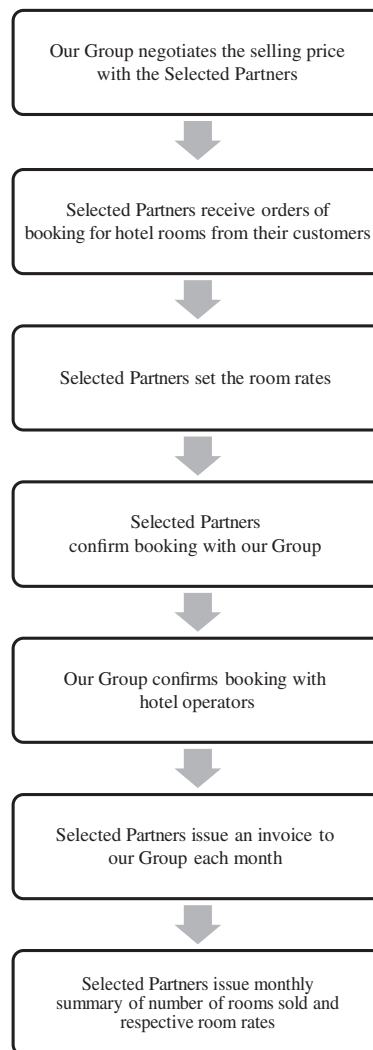
Upon receiving order from customer, the Selected Partners will seek confirmation with us on the availability of the type of hotel room required by the end-customer, and confirm booking with end-customer if the room is available or to offer alternatives if the required hotel room is not available.

BUSINESS

Confirm the booking with hotel operator

Upon receiving confirmation from the Selected Partners, our Group will place an order with L’Arc Hotel Macau. The details of the end-customer, together with the check in and check out dates, number of nights and specific requirements (if any) are included in the order form. Acknowledgement of receipt will be given by L’Arc Hotel Macau to confirm the order.

(ii) Workflow for the sales and distribution of hotel rooms by the Selected Partners of which the room rates are determined by the Selected Partners



In this model, our Group negotiates with the relevant Selected Partners to arrive at a selling price at which our Group and the relevant Selected Partners can make a profit, and the hotel room rates at which the hotel rooms are sold and distributed to the customers of the Selected Partners are determined by the Selected Partners. The Selected Partners, at their discretion, fix the room rates with reference to the prevailing market rates and other factors.

BUSINESS

As compared with the model for the sales and distribution of hotel rooms which we determine the room rates, except for the Selected Partners which control the room rates in this model, other processes and procedures are generally the same.

For FY2017, FY2018 and 4M2019, we shared loss arising from unsold rooms or selling price below our cost of hotel rooms in the amount of approximately HK\$0.6 million, HK\$1.0 million and HK\$0.2 million, respectively under this model.

For corporate customers in the above two models, other than being not required to seek confirmations on pricing from end-customers or customers of the Selected Partners, other processes and procedures remain the same.

Service Points

As at the Latest Practicable Date, we had four service points, comprising one at our headquarters, two on-street shops, and one booth at the Macau Outer Harbour Ferry Terminal. The two on-street shops on the streets are for car rental services only, while the other two service points (including our headquarters) provide both our travel agent and car rental services.

Customers can visit or call our service points to make enquires, booking and purchase of our products. Our sales and customer service representatives at our service points provide professional assistance and advice to customers to address their needs and preferences. During the Track Record Period, through our service points, we (i) sold and distributed hotel rooms purchased under the Hotel Rooms Guarantee Agreements, Allotment Agreements or at promotion rates, and recognised revenue on gross basis; and (ii) sold and distributed hotel rooms purchased from suppliers that were not under the Hotel Rooms Guarantee Agreements, Allotment Agreements or at promotion rates, and recognised revenue on net basis.

As at 31 December 2017 and 2018 and 30 April 2019 we had three, four and four service points, respectively.

Online Travel Agent Platforms

In 2017, our Group started to sell hotel rooms and car rental services through two online travel agent platforms operated by third parties. We sell and distribute the hotel rooms on one platform and allow customers to check the availability and pricing of hotel rooms in particular hotels and make booking with real time confirmation. During the Track Record Period, through our online travel agent platforms, we sold and distributed hotel rooms purchased under the Hotel Rooms Guarantee Agreements and Allotment Agreements, and recognised revenue on gross basis. For car rental services, we place our service on another platform where customers can select rental periods and types of journey, e.g. point-to-point or from/to airport.

BUSINESS

SUPPLIERS

Our suppliers were mainly hotel operators, travel agents, airline operators and entertainment providers in Macau. For FY2017, FY2018 and 4M2019, the total purchase attributable to our five largest suppliers were approximately 75.7%, 76.2% and 76.6% of our total purchase, respectively, and the total purchase attributable to our largest supplier accounted for approximately 37.2%, 44.9% and 42.4% of our total purchase, respectively.

Tak Chun was one of our suppliers during the Track Record Period, and was one of our five largest suppliers for FY2017. In addition, during the Track Record Period, Tak Chun was also one of our five largest customers for FY2017, FY2018 and 4M2019. For further details, please refer to the paragraph headed “Overlapping of customers and suppliers” in this section below. Mrs. Choi is one of the three directors of Tak Chun. She was appointed as a director by the shareholders of Tak Chun and served as its employee. She did not hold any shareholding interest in Tak Chun during the Track Record Period and up to the Latest Practicable Date. As such, under the GEM Listing Rules, Tak Chun is an Independent Third Party, and the transactions between Tak Chun and our Group do not constitute continuing connected transactions. Our Directors confirm that the transactions with Tak Chun were conducted on arm’s length basis and were on normal commercial terms. All of our five largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period.

BUSINESS

The following table sets forth the details of our five largest suppliers during the Track Record Period:

FY2017

Supplier	Principal business	Place of incorporation	Major types of products/ services provided to our Group	Year of commencement of business relationship with our Group	Typical payment terms and payment method	Purchase amount (HK\$'000)	Approximate % of our total purchase amount
ARC of Triumph Hotel Management Company Limited	Hotel operator of L'Arc Hotel Macau	Macau	Hotel rooms	2014	30 days, by cheque	45,901	37.2%
Waldo Hotel Limited	Hotel operator of Waldo Hotel Macao	Macau	Hotel rooms	2014	up to 25 days after month end, by cheque	19,381	15.7%
Customer A ^(Note)	Travel Agent	Macau	Hotel rooms, other travel-related ancillary products and distribution services	2014	30 days, by cheque	15,389	12.5%
Supplier A	Marine recreational activities, including marina clubs, investments, and operation of Pousada Marina Infante Macau	Macau	Hotel rooms	2017	No credit term, by cheque	6,679	5.4%
Tak Chun ^(Note)	Entertainment business	Macau	Hotel rooms	2015	30 days, by cheque	6,087	4.9%
						<u>93,437</u>	<u>75.7%</u>

FY2018

Supplier	Principal business	Place of incorporation	Major types of products/services provided to our Group	Year of commencement of business relationship with our Group	Typical payment terms and payment method	Purchase amount (HK\$'000)	Approximate % of our total purchase amount
ARC of Triumph Hotel Management Company Limited	Hotel operator of L'Arc Hotel Macau	Macau	Hotel rooms	2014	30 days, by cheque	69,763	44.9%
Waldo Hotel Limited	Hotel operator of Waldo Hotel Macao	Macau	Hotel rooms	2014	up to 25 days after month end, by cheque	19,652	12.6%
Supplier A	Marine recreational activities, including marina clubs, investments, and operation of Pousada Marina Infante Macau	Macau	Hotel rooms	2017	No credit term, by cheque	11,935	7.7%
Customer A ^(Note)	Travel agent	Macau	Hotel rooms and other travel-related ancillary products and distribution services	2014	30 days, by cheque	9,581	6.2%
Supplier B	Airline operator	Macau	Air tickets	2017	No credit term, by cheque	7,458	4.8%
						<u>118,389</u>	<u>76.2%</u>

BUSINESS

4M2019

Supplier	Principal business	Place of incorporation	Major types of products/services provided to our Group	Year of commencement of business relationship with our Group	Typical payment terms and payment method	Purchase amount (HK\$'000)	Approximate % of our total purchase amount
ARC of Triumph Hotel Management Company Limited	Hotel operator of L'Arc Hotel Macau	Macau	Hotel rooms	2014	30 days, by cheque	23,289	42.4%
Waldo Hotel Limited	Hotel operator of Waldo Hotel Macao	Macau	Hotel rooms	2014	Up to 25 days after month end, by cheque	7,096	12.9%
Supplier A	Marine recreational activities, including marina clubs, investments, and operation of Pousada Marina Infante Macau	Macau	Hotel rooms	2017	No credit term, by cheque	5,811	10.6%
Roosevelt Macau Hotel Company Limited	Hotel operator of Macau Roosevelt Hotel	Macau	Hotel rooms	2017	30 days, by cheque	3,070	5.6%
Customer A ^(Note)	Travel agent	Macau	Hotel rooms and other travel-related products and distribution services	2014	30 days, by cheque	2,796	5.1%
						42,062	76.6%

Note: Also a customer of our Group during the Track Record Period. For further details, please refer to the paragraph headed “Overlapping of customers and suppliers” in this section below.

BUSINESS

During the Track Record Period, we entered into agreements with different hotel operators, which generally could be classified into Hotel Rooms Guarantee Agreements and Allotment Agreements. The major terms of these agreements are set out below:

	Hotel Rooms Guarantee Agreement	Allotment Agreement
<i>Major Suppliers</i>	L'Arc Hotel Macau, Waldo Hotel Macau and Supplier A	No major supplier was under Allotment Agreement during Track Record Period
<i>Term</i>	Generally from three months to three years	Generally from four months to one year
<i>Scope of services</i>	The hotel operators provide daily guaranteed number of hotel rooms to our Group	The hotel operators offer hotel rooms at preferential room rates
<i>Price of hotel rooms charged by the hotel operators</i>	Pre-determined by the hotel operators	Pre-determined by the hotel operators
<i>Purchase commitment by our Group</i>	Yes. In the event that we fail to sell and distribute all the guaranteed hotel rooms, we are still obligated to pay the hotel operators at the Pre-determined Room Rates	No guaranteed number of hotel rooms and allotment is based on a case by case basis
<i>Deposit required by the hotel operators</i>	An upfront fixed deposit and/or bank guarantee is required, ranging from MOP150,000 to MOP1,500,000. The deposit cannot be deducted against amount payable to the hotel operators	Deposit is required, but can be utilised against amount payable to the hotel operators. When deposit is fully utilised, our Group must replenish or place additional deposit before further order can be placed.
<i>Termination clause</i>	Either party may terminate upon serving a 30 days' prior notice	Either party may terminate upon serving a 30 days' prior notice

For FY2017, FY2018 and 4M2019, we entered into seven, seven and eight Hotel Rooms Guarantee Agreements, pursuant to which we guaranteed to purchase approximately 117,000, 138,000 and 47,000 hotel rooms, respectively. During the Track Record Period, we did not encounter any significant difficulties in renewing our Hotel Rooms Guarantee Agreements. For FY2017, FY2018 and 4M2019, we had one, 14 and seven Hotel Rooms Guarantee Agreements expired, and our renewal rate of such Hotel Rooms Guarantee Agreements was 100%, 100% and 100%, respectively. Our Directors confirm that during the Track Record Period, our Group was able to meet the purchase commitment under the Hotel Rooms Guarantee Agreements.

BUSINESS

CUSTOMERS

Our customers were mainly travel agents, corporate as well as individual customers in Macau. We have maintained business relationships with our largest customer for over four years up to the Latest Practicable Date.

For FY2017, FY2018 and 4M2019, the revenue generated from our five largest customers in aggregate accounted for approximately 42.5%, 46.4% and 63.7% of our total revenue, respectively, and our largest customer, being Customer A, accounted for approximately 35.0%, 19.2% and 21.5% of our total revenue, respectively. For Customer A, other than the revenue generated from it, we also generated revenue of approximately 45.8%, 38.2% and 24.0% of our total revenue through Customer A for distributing products and services for FY2017, FY2018 and 4M2019, respectively. All our five largest customers during the Track Record Period are Independent Third Parties. None of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of the five largest customers during the Track Record Period.

BUSINESS

The following tables set forth the details of our five largest customers during the Track Record Period:

FY2017

Customer	Principal activities	Place of incorporation	Major types of products/services purchased from our Group	Types of arrangement with our Group for the sales and distribution of hotel rooms	Total hotel rooms sold and distributed to and through the customer under the arrangement of (i), (ii) and (iii)	Typical payment terms and method	Year of commencement of business relationship with our Group	Revenue generated from customer under the arrangement of (i) and (iii) for the sales and distribution of hotel rooms (HK\$'000)	Revenue generated through customer arrangement of (ii) for the sales and distribution of hotel rooms (HK\$'000)	Total revenue generated from customer to our total revenue (HK\$'000)	Approximate % of total revenue generated through customer to our total revenue	Approximate % of total revenue generated through customer to our total revenue
Customer A ^{(iv)(v)}	Travel agent	Macau	Hotel rooms, car rental services and other travel-related ancillary products	(i); (ii)	103,047	30 days, by cheque	2014	39,706	53,889	41,182	35.0%	45.8%
Tak Chun ^(v)	Entertainment business	Macau	Hotel rooms, car rental services and other travel-related ancillary products	N/A	N/A	30 days, by cheque	2015	N/A	N/A	2,834	2.4%	N/A
Customer B ^(iv)	Travel agent	the PRC	Hotel rooms	(i)	3,850	30 days, by telegraphic transfer	2017	2,524	N/A	2,524	2.1%	N/A
Guangdong Holiday Travel Limited ^(v)	Travel agent	Macau	Hotel rooms, car rental services and other travel-related ancillary products	N/A	N/A	30 days, by cheque	2016	N/A	N/A	2,378	2.0%	N/A
廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.) ^{(v)(vi)}	Travel agent	the PRC	Hotel rooms	(i); (ii)	4,068	30 days, by telegraphic transfer	2017	1,121	3,338	1,121	1.0%	2.8%
								43,351	57,227	50,039	42.5%	48.6%

Notes:

- (i) Cooperation Agreement
- (ii) Distribution Agreement
- (iii) Framework Agreement
- (iv) Selected Partners
- (v) Also a supplier of our Group during the Track Record Period. For further details, please refer to the paragraph headed "Overlapping of customers and suppliers" in this section below.

BUSINESS

Customer	Principal activities	Place of incorporation	Major types of products/services purchased from our Group	Types of arrangement with our Group for the sales and distribution of hotel rooms	Major hotels involved under the arrangement	Total hotel rooms sold and distributed through the customer under the arrangement of (i), (ii) payment terms and (iii) method	Typical payment terms and method	Year of commencement of business relationship with our Group	Revenue generated from customer under the arrangement of (i) and (iii) for the sales and distribution of hotel rooms (HK\$'000)	Revenue generated through customer under the arrangement of (ii) for the sales and distribution of hotel rooms (HK\$'000)	Total revenue generated from customer (HK\$'000)	Approximate % of total revenue generated from customer to our total revenue	Approximate % of total revenue generated through customer to our total revenue
Customer A ^{(v)(v)}	Travel agent	Macau	Hotel rooms, car rental services and other travel-related ancillary products	(i); (ii)	L'Arc Hotel Macau; Regency Art Hotel; Waldo Hotel Macao; Hotel W; Hotel Y	83,650	30 days, by cheque	2014	30,755	63,241	31,763	19.2%	38.2%
廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.) ^{(v)(v)(v)}	Travel agent	the PRC	Hotel rooms	(i); (iii)	Pousada Marina Infante Macau; Macau Roosevelt Hotel; Hotel V	36,940	30 days, by telegraphic transfer	2017	25,213	N/A	25,213	15.2%	N/A
Hai Yang Company Limited ^(v)	Marketing planning, promotion and business management	Macau	Hotel rooms, car rental services and other travel-related ancillary products	(iii)	L'Arc Hotel Macau	6,655	14 days, by cheque	2018	9,382	N/A	9,899	6.0%	N/A
Guangdong Holiday Travel Limited ^(v)	Travel agent	Macau	Hotel rooms, car rental services and other travel-related ancillary products	N/A	N/A	N/A	30 days, by cheque	2016	N/A	N/A	5,224	3.2%	N/A
Tak Chun ^(v)	Entertainment business	Macau	Hotel rooms, car rental services and other travel-related ancillary products	N/A	N/A	N/A	30 days, by cheque	2015	N/A	N/A	4,644	2.8%	N/A
						65,350				63,241	76,743	46.4%	38.2%

Notes:

- (i) Cooperation Agreement
- (ii) Distribution Agreement
- (iii) Framework Agreement
- (iv) Selected Partners

BUSINESS

(v) Also a supplier of our Group during the Track Record Period. For further details, please refer to the paragraph headed “Overlapping of customers and suppliers” in this section below.

4M2019

Customer	Principal activities	Place of incorporation	Major types of products/services purchased from our Group	Types of arrangement with our Group for the sales and distribution of hotel rooms	Major hotels involved under the arrangement	Total hotel rooms sold and distributed through the customer arrangement of (i), (ii) and (iii) method	Typical payment terms and relationship with our Group	Year of commencement of business relationship	Revenue generated from customer arrangement of (i) and (iii) for the sales and distribution of hotel rooms (HK\$'000)	Revenue generated through customer arrangement of (ii) for the sales and distribution of hotel rooms (HK\$'000)	Total revenue generated from customer (HK\$'000)	Approximate % of total revenue generated from our total revenue	Approximate % of total revenue generated through customer to our total gross revenue
Customer A ^{(iv)(v)}	Travel agent	Macau	Hotel rooms, car rental services and other travel-related ancillary products	(i);(ii)	L'Arc Hotel Macau; Waldo Hotel Macao; Regency Art Hotel; Hotel Y; Hotel W; Hotel P	26,282	30 days, by cheque	2014	13,258	14,909	13,393	21.5%	24.0%
廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.) ^{(iv)(v)}	Travel agent	the PRC	Hotel rooms	(iii)	Pousada Marina Infante Macau; Macau Roosevelt Hotel; Hotel V	14,992	30 days, by telegraphic transfer	2017	12,383	N/A	12,383	19.9%	N/A
Hai Yang Company Limited ^(v)	Marketing planning, promotion and business management	Macau	Hotel rooms, car rental services and other travel-related ancillary products	(iii)	L'Arc Hotel Macau	2,715	14 days, by cheque	2018	5,254	N/A	6,465	10.4%	N/A
Good Trip Travel Agency Limited ^(iv)	Travel agent	Macau	Hotel rooms and car rental services	(ii)	L'Arc Hotel Macau	3,592	14 days, by cheque	2018	5,756	N/A	5,807	9.3%	N/A
Tak Chun ^(v)	Entertainment business	Macau	Hotel rooms, car rental services and other travel-related ancillary products	N/A	N/A	N/A	30 days, by cheque	2015	N/A	N/A	1,626	2.6%	N/A
						36,651			14,909	39,674	63.7%		24.0%

Notes:

- (i) Cooperation Agreement
- (ii) Distribution Agreement
- (iii) Framework Agreement
- (iv) Selected Partners
- (v) Also a supplier of our Group during the Track Record Period. For further details, please refer to the paragraph headed “Overlapping of customers and suppliers” in this section below.

BUSINESS

During the Track Record Period, we have entered into Cooperation Agreements, Distribution Agreements and/or Framework Agreements with the relevant Selected Partners. The major terms of these agreements are set out in the paragraph headed “Sales and marketing — Sales and distribution channels — Selected Partners” in this section above. We also entered into long term agreements with certain customers of our car rental services for a term of up to five years, pursuant to which we agree to provide a specific number of vehicles of specific models to the customers. Save for those mentioned in this paragraph, we did not enter into any long-term agreement with other customers.

RELIANCE ON SUPPLIER AND CUSTOMER

(i) Supplier — L’Arc Hotel Macau

Among our five largest suppliers, three, three and four of which were hotel operators for FY2017, FY2018 and 4M2019, respectively. During the Track Record Period, L’Arc Hotel Macau was our largest supplier, and our purchases attributable to L’Arc Hotel Macau accounted for 37.2%, 44.9% and 42.4% of our total purchase for FY2017, FY2018 and 4M2019, respectively. In addition, the sales and distribution of hotel rooms of L’Arc Hotel Macau was our major source of revenue. For FY2017, FY2018 and 4M2019, our revenue generated from the sales and distribution of hotel rooms of L’Arc Hotel Macau amounted to approximately HK\$64.8 million, HK\$94.3 million and HK\$31.4 million, respectively, accounting for approximately 58.2%, 60.6% and 54.7% of our total revenue generated from the sales and distribution of hotel rooms, respectively.

During the Track Record Period, we have entered into certain Hotel Rooms Guarantee Agreements with L’Arc Hotel Macau, pursuant to which we guarantee that we will purchase a fixed number of hotel rooms at Pre-determined Room Rates, the major terms of which are generally in line with those already set out above under Hotel Rooms Guarantee Agreement. For every four months, we reach agreement with L’Arc Hotel Macau on the Pre-Determined Room Rates. As at 30 April 2019, the remaining term of our latest Hotel Rooms Guarantee Agreement with L’Arc Hotel Macau was approximately 2 years. For FY2018, we purchased approximately 63,000 hotel rooms from L’Arc Hotel Macau, representing an increase of approximately 10,000 hotel rooms from approximately 53,000 hotel rooms for FY2017. The Directors believe that such increase was mainly due to our credit record in settling payments and capability to sell and distribute the hotel rooms. For 4M2019, we purchased approximately 19,000 hotel rooms from L’Arc Hotel Macau, representing a decrease of approximately 2,000 hotel rooms from approximately 21,000 hotel rooms for 4M2018. Such decrease was mainly due to the renovation of L’Arc Hotel Macau in 2019. For details, please refer to paragraph headed “Summary — Recent development and material adverse change” in this prospectus.

During the Track Record Period, we mainly sold and distributed the hotel rooms of L’Arc Hotel Macau through Customer A under the Distribution Agreement, which accounted for approximately 84.7%, 68.0% and 49.4% of the total hotel rooms of L’Arc Hotel Macau sold and distributed by our Group for FY2017, FY2018 and 4M2019, respectively. For FY2017, FY2018 and 4M2019, we sold and distributed approximately 52,000, 63,000 and 19,000 hotel rooms of L’Arc Hotel Macau, respectively, and had unsold rooms of L’Arc Hotel Macau of approximately 400, 140 and 15, respectively.

BUSINESS

Our Group first established business relationship with L’Arc Hotel Macau in 2014, and paid an initial upfront deposit of MOP200,000 (the “**Initial Upfront Deposit**”) to L’Arc Hotel Macau based on the deposit rate per hotel room and the actual number of hotel room secured by us, being six hotel rooms per day on average. As advised by Ipsos, it is a industry norm for wholesale travel agents in Macau to pay full amount of upfront deposit to hotel operators based on the deposit rate per hotel room and the actual number of hotel rooms purchased, however, this might be subject to adjustment with reference to bargaining power of price between hotels and travel agents, payment track record of the travel agents, number of rooms being secured, class of hotels, established business relationship, and seasonality. As such, our initial arrangement with L’Arc Hotel Macau regarding the Initial Upfront Deposit was in line with the industry norm when our Group and L’Arc Hotel Macau first established business relationship back in 2014. Taking into account of our credit record in settling payments since the establishment of business relationship, L’Arc Hotel Macau did not adjust the Initial Upfront Deposit upward despite that the number of hotel rooms supplied to our Group has subsequently increased. For the associated risk, please refer to the paragraph headed “Risk factors — Our upfront deposit paid to L’Arc Hotel Macau has not been adjusted upward since we first established business relationship with L’Arc Hotel Macau in 2014. Any upward adjustment of our upfront deposit to L’Arc Hotel Macau may adversely affect our financial position” in this prospectus. As advised by Ipsos, the upfront deposit paid by our Group to other hotel operators (excluding L’Arc Hotel Macau) is at a similar market rate of their respective hotels with similar grades. To the best of our Directors’ knowledge and belief, our Directors confirm that, save for the purchase of hotel rooms, there were no other relationships between our Group, our Shareholders, Directors, senior management or any of their respective close associates and L’Arc Hotel Macau during the Track Record Period.

Supplier concentration risk with L’Arc Hotel Macau

For FY2017, FY2018 and 4M2019, our purchase attributable to L’Arc Hotel Macau amounted to approximately HK\$45.9 million, HK\$69.8 million and HK\$23.3 million, accounting for approximately 37.2%, 44.9% and 42.4% of our total purchase, respectively.

Our Directors do not consider the reliance on L’Arc Hotel Macau as our supplier would affect our suitability for Listing for the following reasons:

- (i) For FY2017, FY2018 and 4M2019, our Group engaged five, one and one new hotels, respectively. We have entered into Hotel Rooms Guarantee Agreements with seven, seven and eight hotels for FY2017, FY2018 and 4M2019, respectively, pursuant to which we secured 320, 377 and 396 hotel rooms per day on average, respectively. As at 31 December 2017 and 2018 and 30 April 2019, among the secured hotel rooms, 150, 172 and 157 hotel rooms per day on average were provided by L’Arc Hotel Macau, accounting for approximately 44.6%, 43.0% and 37.1% of the total number of hotel rooms provided to our Group under all the agreements entered with hotel operators, respectively. For FY2017, FY2018 and 4M2019, the number of hotel rooms of L’Arc Hotel Macau sold and distributed by us accounted for approximately 43.4%, 42.5% and 37.0% of the total number of hotel rooms sold and distributed by us, respectively. As it is part of our business strategies to cooperate with more hotels in Macau, our Directors are of the view that our purchase from L’Arc Hotel Macau as a percentage of our total purchase of hotel rooms will further

BUSINESS

decrease in the future. In addition, it is part of our business strategies to cooperate with more hotel operators and expand our sales channels. For example, during FY2018 and 4M2019, we first established business relationship with Macau Roosevelt Hotel and Hotel P, respectively.

- (ii) We have established business relationship with L'Arc Hotel Macau since 2014 when L'Arc Hotel Macau only provided us with six hotel rooms per day for sales and distribution. As at 30 April 2019, under the latest Hotel Rooms Guarantee Agreement with L'Arc Hotel Macau, we were provided with 157 hotel rooms per day on average for sales and distribution. This is a clear demonstration that L'Arc Hotel Macau and we have established a good business relationship over the years. In addition, according to the Ipsos Report, the main distribution channel for hotel operators to sell hotel rooms is through wholesale travel agents. For large-scale hotels (with 1,000 rooms or more), 60-70% of their rooms are distributed through wholesale travel agents, where small-scale hotels distribute 80-90% of their rooms through the same channel. The reliance between our Group and Customer A is therefore mutual.
- () There were 79 and 82 hotel establishments in Macau in 2017 and 2018 with total daily number of hotel rooms of approximately 36,700 and 38,100 as at 31 December 2017 and 2018, respectively. Given our track record in Macau as a travel agent and our ability to enter into multiple Hotel Rooms Guarantee Agreements with hotels other than L'Arc Hotel Macau, our Directors do not foresee any difficulty in finding substitute hotel in the unlikely event that L'Arc Hotel Macau ceases to provide any hotel rooms to us.

During the Track Record Period, our Group did not suffer from any significant shortage of hotel rooms or other travel-related products.

(ii) Customer — Customer A

During the Track Record Period, Customer A was our largest customer. Our revenue generated through Customer A (i.e. under the Distribution Agreement) for the sales and distribution of hotel rooms accounted for 45.8%, 38.2% and 24.0% of our total revenue for FY2017, FY2018 and 4M2019, respectively. Our revenue generated from Customer A under the Cooperation Agreement for the sales and distribution of hotel rooms accounted for approximately 33.8%, 18.6% and 21.3% of our Group total revenue for FY2017, FY2018 and 4M2019, respectively. For FY2017, FY2018 and 4M2019, we sold and distributed 44,496, 42,706 and 9,312 hotel rooms of L'Arc Hotel Macau through Customer A, respectively. The above mentioned number of hotel rooms constituted the largest proportion to Customer A in terms of the number of hotel rooms sold and distributed by it.

Background of Customer A

Customer A is a Macau-based private company established in 2005, and its ultimate beneficial owners are Independent Third Parties. Customer A is engaged in sales and distribution of travel products and services through both business-to-business and business-to-customer channels, serving customers mainly in Macau and Pearl River Delta area. It has its headquarters and three branches in Macau, and a number of branches in the PRC, including Zhuhai, Shenzhen, Guangzhou and Changsha. It has an online travel booking services platform for its business customers, and online stores for retail customers at one of China's largest business-to-consumer online sales platform and a smartphone

BUSINESS

travel app. According to the Ipsos Report, ranking of the major travel agents in terms of revenue in Macau is not available because they are private companies, and there is no objective and quantitative sales or services data publicly available to estimate their market share. Nevertheless, Customer A is identified as one of the major travel agents in Macau, based on its reputation and range of services provided.

Agreements with Customer A

Customer A is one of the Selected Partners and was our largest customer during the Track Record Period. We started our business with Customer A in 2014. During the Track Record Period, our Group entered into the Cooperation Agreements and Distribution Agreements with Customer A mainly for a term of three years. The major terms of our Cooperation Agreements and Distribution Agreements with Customer A are set out in the paragraph headed “Sales and marketing — Sales and distribution channels — Selected Partners” in this section above. The following table sets forth the number of hotel rooms sold to and through Customer A under the Distribution Agreement and Cooperation Agreement during the Track Record Period:

	FY2017			FY2018			4M2019		
	Distribution Agreement	Cooperation Agreement	Total	Distribution Agreement	Cooperation Agreement	Total	Distribution Agreement	Cooperation Agreement	Total
L’Arc Hotel Macau	44,496	—	44,496	42,706	—	42,706	9,312	—	9,312
Waldo Hotel Macao	—	31,182	31,182	—	30,121	30,121	—	11,998	11,998
Pousada Marina Infante Macau	—	11,225	11,225	—	—	—	—	—	—
Regency Art Hotel	—	10,615	10,615	—	7,024	7,024	—	2,590	2,590
Hotel Y	—	1,620	1,620	—	2,048	2,048	—	1,355	1,355
Hotel V	—	2,462	2,462	—	—	—	—	—	—
Hotel W	—	1,447	1,447	—	1,751	1,751	—	825	825
Hotel P	—	—	—	—	—	—	—	202	202
Total number of hotel rooms sold to and through Customer A	<u>44,496</u>	<u>58,551</u>	<u>103,047</u>	<u>42,706</u>	<u>40,944</u>	<u>83,650</u>	<u>9,312</u>	<u>16,970</u>	<u>26,282</u>

Our Distribution Agreements entered into with Customer A relate to the sales and distribution of hotel rooms of L’Arc Hotel Macau, pursuant to which the retail price is pre-determined by our Group. Under the arrangement of the Distribution Agreements, the end-customers are regarded as our customers and we generate revenue through Customer A. Under the Distribution Agreement, Customer A has no contractual purchase commitment in respect of the hotel rooms of L’Arc Hotel Macau. For the associated risk, please refer to the paragraph headed “Risk factors — We sold and distributed a significant portion of the hotel rooms of L’Arc Hotel Macau through Customer A. If Customer A ceases to procure hotel rooms of L’Arc Hotel Macau from us and we are unable to find a replacement on a timely basis, we may not be able to sell and distribute the hotel rooms of L’Arc Hotel Macau and our operations and financial performance may be adversely affected” in this prospectus. In an effort to mitigate such risk, our Group (i) diversified the Selected Partners (including Customer A) to sell and distribute the hotel rooms of L’Arc Hotel Macau from two for FY2017 to three for FY2018 and 4M2019; and (ii) decreased the proportion of hotel rooms of L’Arc Hotel Macau sold and distributed

BUSINESS

through Customer A. For FY2017, FY2018 and 4M2019, we sold and distributed 44,496, 42,706 and 9,312 hotel rooms of L'Arc Hotel Macau through Customer A, respectively, representing approximately 84.7%, 68.0% and 49.4% of the total hotel rooms of L'Arc Hotel Macau our Group sold and distributed for FY2017, FY2018 and 4M2019, respectively.

Our Cooperation Agreements entered into with Customer A relate to the sales and distribution of hotel rooms of hotels other than L'Arc Hotel Macau, pursuant to which the retail price is determined at the discretion of Customer A. Under the arrangement of Cooperation Agreements, Customer A is regarded as our customer and we generate revenue from Customer A.

As at the Latest Practicable Date, our Cooperation Agreements with Customer A covered six hotel operators in Macau, and our Distribution Agreement with Customer A covered L'Arc Hotel Macau.

Sales and distribution of hotel rooms of L'Arc Hotel Macau through Customer A under the Distribution Agreements

For FY2017, FY2018 and 4M2019, our Group sold and distributed approximately 53.0%, 60.8% and 55.5% of the total number of hotel rooms of L'Arc Hotel Macau, respectively. To the best of our Directors' knowledge, part of the remaining hotel rooms are reserved for VIP customers of L'Arc Hotel Macau. As such, other than sourcing the hotel rooms of L'Arc Hotel Macau from our Group, there are only a small proportion of the hotel rooms of L'Arc Hotel Macau that could be purchased in the open market. In other words, our Group secured a considerable portion of hotel rooms of L'Arc Hotel Macau, and Customer A was unlikely to be able to obtain such volume of hotel rooms of L'Arc Hotel Macau from other sources.

At the same time, our Group has inventory risk with respect to the hotel rooms of L'Arc Hotel Macau because our Group has entered into Hotel Rooms Guarantee Agreement, and our Group has committed to pay for those hotel rooms irrespective of whether the same will be sold or distributed to the Selected Partners or the end-customers.

In view of Customer A's ability to sell and its distribution network in Macau and a number of branches in the PRC, including Zhuhai, Shenzhen, Guangzhou and Changsha, our Group entered into the Distribution Agreements with Customer A to leverage on Customer A's sales and distribution network.

As our Group secured a considerable portion of and a stable supply of hotel rooms of L'Arc Hotel Macau pursuant to the Hotel Rooms Guarantee Agreements, our Directors are of the view that it is beneficial to our Group to (a) from time to time strategically reallocate according to the changing market environment the number of hotel rooms of L'Arc Hotel Macau to be sold and distributed to and through Customer A, other Selected Partners and other customers in order to diversify our customer base and to maximise our profitability as and when appropriate; and (b) reserve the right to pre-determine the retail price of the hotel rooms of L'Arc Hotel Macau. As such, during the

BUSINESS

commercial negotiation of the terms of the Distribution Agreements, it was agreed between our Group and Customer A that (a) our Group has the discretion to pre-determine the retail price; and (b) Customer A did not have any contractual purchase commitment to allow our Group to have more flexibility.

In addition, as an incentive to Customer A to sell and distribute the hotel rooms of L'Arc Hotel Macau and in view of Customer A's ability to sell and distribute hotel rooms, it was also agreed in the Distribution Agreements to have a profit sharing arrangement in place to the effect that Customer A is entitled to charge a distribution service fees at an agreed ratio of the profit from the sales and distribution of hotel rooms of L'Arc Hotel Macau. On the other hand, given that our Group has a large and stable supply of hotel rooms of L'Arc Hotel Macau which are not otherwise available in the open market, the retail price so pre-determined by our Group would largely dictate the market price of the hotel rooms of L'Arc Hotel Macau, our Group would generally determine the retail price of the hotel rooms of L'Arc Hotel Macau based on the market conditions at a rate which would enable Customer A to earn the profit through earning the distribution service fees at the agreed ratio, given that it is unlikely to have price competition from other market players in respect of the hotel rooms of L'Arc Hotel Macau. As such, this profit-sharing arrangement is in the mutual interest to both our Group and Customer A.

Considering that our Group has inventory risk with respect to the hotel rooms of L'Arc Hotel Macau and the benefit of the profit sharing arrangement to Customer A as disclosed above, it was commercially fair and was agreed between our Group and Customer A that Customer A also shares the losses from the sales and distribution of hotel rooms of L'Arc Hotel Macau at the same agreed ratio. In addition, despite that the sharing arrangement includes the sharing of both profit and loss, the overall sharing arrangement was profitable for both our Group and Customer A. The amount of losses from the sales and distribution of hotel rooms of L'Arc Hotel Macau under the Distribution Agreements amounted to approximately HK\$443,000, HK\$343,000 and HK\$70,000 for FY2017, FY2018 and 4M2019, respectively, which was not significant. For FY2017, FY2018 and 4M2019, the net distribution service fees to Customer A amounted to approximately HK\$5.1 million, HK\$4.8 million and HK\$1.0 million, respectively.

Despite that L'Arc Hotel Macau is located in a prime location of Macau, the daily sales and distribution of its hotel rooms is subject to the daily market conditions including the selling prices of comparable hotel rooms in proximate area, the sales and promotion strategies of other market players, any festive event in Macau, etc. In the event that at a late time of a day there remain unsold hotel rooms of L'Arc Hotel Macau, our Group generally lowers the price in order to have the hotel rooms sold and thus to minimise losses. With the trust built up in the business relationship between our Group and Customer A since 2014, Customer A would accept to sell the hotel rooms at a loss and share the losses. In addition, given that the long-term profitability from the profit and loss sharing arrangement, there are incentives for Customer A to share those losses so as to preserve its business relationship with our Group and to provide incentive to our Group to maintain or increase the hotel rooms allocated to Customer A. From the perspective of Customer A, its willingness to agree to sell and distribute hotel rooms of L'Arc Hotel Macau during weekdays (where loss rooms are more likely to occur and the profit margin is generally lower) and share any loss thereon if so occurred provided an incentive to our Group to continue the supply of hotel rooms of L'Arc Hotel Macau to Customer A during weekends and festival periods (where in general the profit margin is considerably higher). In other words, Customer A shared the losses during weekdays with a view to have access to the hotel

BUSINESS

rooms with higher profit during weekends and festival periods which would outweigh any losses shared by it during the weekdays. Equally, our Group had an incentive to supply the hotel rooms of L'Arc Hotel Macau to Customer A during weekends and festival periods such that Customer A would continue its distribution commitment under the Distribution Agreement during weekdays to sell and distribute the hotel rooms of L'Arc Hotel Macau and share any loss if so occurred.

Customer concentration risk with Customer A

For FY2017, FY2018 and 4M2019, our revenue generated from Customer A amounted to approximately HK\$41.2 million, HK\$31.8 million and HK\$13.4 million, respectively, accounting for approximately 35.0%, 19.2% and 21.5% of our total revenue, respectively. For Customer A, other than the revenue generated from it, we also generated revenue of approximately HK\$53.9 million, HK\$63.2 million and HK\$14.9 million through Customer A for FY2017, FY2018 and 4M2019, which accounted for approximately 45.8%, 38.2% and 24.0% of our total revenue, respectively.

Our Directors do not consider our customer concentration with Customer A would affect our suitability for Listing for the following reasons:

(i) Increasing diversification by our Group

For FY2017, FY2018 and 4M2019, the Selected Partners committed and purchased approximately 65,000, 77,000, 17,000 hotel rooms from us under the Cooperation Agreements, of which 59,000, 41,000, 17,000 hotel rooms were attributable to Customer A, respectively. In addition, the total number of hotel rooms sold and distributed to and through Customer A under the Cooperation Agreements and Distribution Agreements decreased from approximately 103,000 hotel rooms for FY2017 to approximately 84,000 hotel rooms for FY2018; and decreased from approximately 29,000 hotel rooms for 4M2018 to approximately 26,000 hotel rooms for 4M2019. In particular, the number of hotel rooms of L'Arc Hotel Macau sold and distributed through Customer A under the Distribution Agreements decreased from approximately 44,000 hotel rooms for FY2017 (representing approximately 84.7% of the total number of hotel rooms of L'Arc Hotel Macau sold and distributed and approximately 35.6% of the total hotel rooms sold and distributed) to approximately 43,000 hotel rooms for FY2018 (representing approximately 68.0% of the total number of hotel rooms of L'Arc Hotel Macau sold and distributed and approximately 28.2% of the total hotel rooms sold and distributed); and decreased from approximately 16,000 hotel rooms for 4M2018 (representing approximately 79.8% of the total number of hotel rooms of L'Arc Hotel Macau sold and distributed and approximately 33.1% of the total hotel rooms sold and distributed) to approximately 9,000 hotel rooms for 4M2019 (representing approximately 49.4% of the total number of hotel rooms of L'Arc Hotel Macau sold and distributed and approximately 17.9% of the total hotel rooms sold and distributed).

BUSINESS

In terms of percentage of total revenue, our revenue generated from Customer A has decreased from approximately 35.0% of our total revenue for FY2017 to approximately 19.2% of our total revenue for FY2018, and our revenue generated through Customer A has decreased from approximately 45.8% of our total revenue for FY2017 to approximately 38.2% of our total revenue for FY2018. For 4M2019, our revenue generated from Customer A accounted for approximately 21.5% of our total revenue, and our revenue generated through Customer A accounted for approximately 24.0% of our total revenue.

The decrease in the number of hotel rooms committed and purchased by Customer A and the percentage of revenue generated from and through Customer A for FY2018 as compared to that for FY2017 was mainly due to our strategic reallocation of hotel rooms sold and distributed to other Selected Partners and customers according to the changing market environment in order to diversify our customer base and to maximise our profitability, as well as the increase in the total number of hotel rooms sold by our Group leading to a larger base. During the Track Record Period and from time to time, we received quotations from certain Selected Partners (other than Customer A) in respect of the hotel rooms of L'Arc Hotel Macau and subsequently we entered into the Distribution Agreement, Cooperation Agreements or Framework Agreements with them for the sales and distribution of hotel rooms of L'Arc Hotel Macau if the hotel rooms of L'Arc Hotel Macau were available. For FY2018 and 4M2019, our Group sold and distributed the hotel rooms of L'Arc Hotel Macau through and to three Selected Partners and other customers, as compared with two Selected Partners and other customers for FY2017.

Subsequent to the Track Record Period, our Group received quotations from three travel agents in respect of their interests to sell and distribute the hotel rooms of L'Arc Hotel Macau, which in aggregate amounted to 120, 100 and 15 rooms per day, respectively. As such, our Directors are of the view that our Group is unlikely to encounter difficulties in further diversifying the Selected Partners or travel agents for the sales and distribution of hotel rooms of L'Arc Hotel Macau.

Furthermore, we obtained the relevant authorisation in November 2017 and commenced to provide Multi-purpose Car Rental Services in May 2018. We plan to commence our point-to-point cross-border transportation services between Macau and Hong Kong in the fourth quarter of 2019, and our Directors are therefore of the view that the revenue attributable to Customer A as a percentage of our total revenue will further decrease in the future.

(ii) Our Group is the major source of the hotel rooms of L'Arc Hotel Macau in the market

As at 31 December 2017 and 2018 and 30 April 2019, we have secured 150, 172 and 157 hotel rooms per day on average with L'Arc Hotel Macau, respectively, which represented approximately 53.0%, 60.8% and 55.5% of its total number of hotel rooms, respectively. As L'Arc Hotel Macau is located at a popular area for well-known 5-star hotels in Macau Peninsula, and there is a high demand for 5-star hotel rooms in Macau Peninsula, our Directors consider that if Customer A intends to obtain hotel rooms of L'Arc Hotel Macau, it has to approach us for such rooms regardless of whether it has entered into any Distribution Agreement with us. As

BUSINESS

confirmed by Customer A, it did not source any hotel rooms of L'Arc Hotel Macau directly from L'Arc Hotel Macau or other suppliers during the Track Record Period, and our Group was the second largest supplier of hotel rooms of Customer A during the Track Record Period. The reliance between our Group and Customer A is therefore mutual.

For FY2017, FY2018 and 4M2019, our Group sold and distributed approximately 53.0%, 60.8% and 55.5% of the total number of hotel rooms of L'Arc Hotel Macau, respectively. To the best of our Directors' knowledge, part of the remaining hotel rooms are reserved for VIP customers of L'Arc Hotel Macau. As such, other than sourcing the hotel rooms of L'Arc Hotel Macau from our Group, there are only a small proportion of the hotel rooms of L'Arc Hotel Macau that could be purchased in the open market. In addition, the number of guaranteed hotel rooms secured by our Group is based on the past relationship (established since 2014) and good payment history built up over the years. In view of our Hotel Rooms Guarantee Agreement with L'Arc Hotel Macau which shall expire in July 2021, if Customer A intends to purchase a similar volume of hotel rooms of L'Arc Hotel Macau, our Group shall be the only available source.

Our Group and Customer A have entered into Distribution Agreements, under which Customer A earns distribution service fees for the sales and distribution the hotel rooms of L'Arc Hotel Macau. Considering (a) the strong demand for the hotel rooms of L'Arc Hotel Macau driven by its location in the prime area in Macau Peninsula; and (b) a stable supply of hotel rooms of L'Arc Hotel Macau to our Group pursuant to the Hotel Rooms Guarantee Agreements, Customer A can benefit from the Distribution Agreements by earning distribution service fees. In addition, our Group and Customer A have entered into Cooperation Agreements, under which Customer A has the discretion to determine the retail price of hotel rooms (other than those of L'Arc Hotel Macau). As such, Customer A can benefit from both the Distribution Agreements and Cooperation Agreements to manage its profitability, without having to incur additional resources or exposed to additional risks by entering into agreements with other competitors of our Group or directly with the hotel operators.

As advised by Ipsos, as at the Latest Practicable Date, all of the ten new 5-stars hotels in Macau expected to commence operations from 2019 to 2022 are located in Cotai, and none of them is located in Macau Peninsula where L'Arc Hotel Macau is located. As such, our Directors are of the view that the commencement of operations of these new 5-stars hotels is unlikely to have a significant impact on Customer A's sourcing of hotel rooms of L'Arc Hotel Macau from our Group.

(iii) Upfront deposit and credit terms

Currently, under the Distribution Agreements and Cooperation Agreements entered into between our Group and Customer A, Customer A is not required to provide upfront deposit and/or bank guarantee. As confirmed by the Ipsos Report, it is an industry norm for hotel operators to request a deposit and/or bank guarantee from the wholesale travel agents at a range from MOP tens of thousands to hundreds of thousands depending on the number of rooms guaranteed. For FY2017, FY2018 and 4M2019, a majority of the revenue generated from and through Customer A under the Distribution Agreements and Cooperation Agreements were attributable to the sales and distribution of hotel rooms of L'Arc Hotel Macau. If Customer A deals with the hotel operators directly, it is expected that based on our upfront deposit required

BUSINESS

per hotel room and the number of hotel rooms our Group sold and distributed to and through Customer A for 4M2019, Customer A would be required to pay upfront deposit of approximately HK\$5.2 million to the hotel operators, of which approximately HK\$2.5 million would be attributable to L’Arc Hotel Macau. As disclosed above, L’Arc Hotel Macau did not adjust the Initial Upfront Deposit upward despite the number of hotel rooms supplied to our Group has subsequently increased since the establishment of business relationship between our Group and L’Arc Hotel Macau in 2014. For the purpose of calculating the abovementioned expected upfront deposit of approximately HK\$2.5 million, our Group takes into account of the upfront deposit per hotel room based on the Initial Upfront Deposit and the corresponding number of hotel rooms covered by Initial Upfront Deposit. As such, the current arrangement between Customer A and our Group is beneficial to Customer A for being able to profit from the arrangement without having to pay upfront deposit. In addition, according to Ipsos Report, besides credit terms of 30 days granted to customers, it is not uncommon that some engagements between two travel agents or those between hotel operators and travel agents require advance payments. Currently our Group offered a credit term of 30 days to Customer A and did not require advance payment from Customer A. In the event Customer A is to enter into agreements with other competitors of our Group or directly with the hotel operators, Customer A may not be able to receive the same or more favourable credit terms and is exposed to a higher liquidity risk. It is therefore preferable for Customer A to adhere to the existing arrangement instead of circumventing us and dealing directly with hotel operators.

(iv) High average room occupancy rates of 5-star and 3-star hotels and guestrooms in Macau

There are 227 companies registered as travel agents in Macau as at 30 June 2019, and as disclosed above, during the Track Record Period, we can enter into the Cooperation Agreements, Distribution Agreements and/or Framework Agreements with Selected Partners other than Customer A to sell and distribute hotel rooms of L’Arc Hotel Macau and other hotels. For 4M2019, the average room occupancy rates of 5-star (eg. L’Arc Hotel Macau) and 3-star (eg. Waldo Hotel Macao) hotels and guestrooms in Macau was approximately 93.4% and 95.9%, respectively. Our Directors, therefore, do not foresee any difficulty in finding substitute travel agents in the unlikely event that Customer A ceases to do business with us.

(v) Growing travel agent market

According to the Ipsos Report, the total revenue of travel agent services in Macau is expected to increase from approximately MOP8.5 billion in 2018 to approximately MOP10.4 billion in 2022 at a CAGR of approximately 5.2%. Our Directors are therefore confident that we will be capable of maintaining and growing our revenue in the future despite our relationship with Customer A.

Under the Cooperation Agreements and Distribution Agreement with Customer A, we leverage on Customer A’s distribution network, while at the same time allowing Customer A to have access to hotel rooms from us without the need to pay any upfront deposit and/or bank guarantee. For details of Cooperation Agreements and Distribution Agreement, please refer to the paragraph headed “Sales and marketing — Sales and distribution channels — Selected Partners” in this section above.

BUSINESS

Based on the above, our Directors are of the view, and the Sole Sponsor concurs, that (i) the business arrangement between Customer A and our Group are beneficial to each other; (ii) the reliance between our Group and Customer A is mutual; and (iii) our relationship with Customer A is unlikely to materially adversely change or terminate.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, Customer A, Tak Chun, Guangdong Holiday Travel Limited and Guangdong Peace International Tourism Co., Ltd, who were our five largest customers during the Track Record Period, were also our suppliers (“**Overlapping Customers**”). From time to time, when our customers request hotel rooms other than those we have secured under the Hotel Rooms Guarantee Agreements or otherwise not available under the Allotment Agreements, we would obtain hotel room rate quotations from other sources including different travel agents (including the above Overlapping Customers). During the Track Record Period, there was no arrangement under which our Group would purchase hotel rooms from an Overlapping Customer and subsequently sell the same hotel rooms to the same Overlapping Customer.

According to the Ipsos Report, it is a normal industry practice for wholesale and retail travel agents in the tourism industry to source hotel rooms from each other as it is not possible for travel agents to have access to and have contractual relationship with every hotel operator in Macau. Our Directors confirm that the transactions with the Overlapping Customers were conducted on arm’s length basis and were on normal commercial terms.

Our revenue generated from the Overlapping Customers in aggregate amounted to approximately HK\$47.5 million, HK\$66.8 million and HK\$28.6 million for FY2017, FY2018 and 4M2019, representing approximately 40.4%, 40.3% and 46.1% of our total revenue for the corresponding period, respectively. The gross profit margin of such sales to the Overlapping Customers was approximately 23.8%, 20.7% and 20.2% for FY2017, FY2018 and 4M2019, respectively.

For FY2017, FY2018 and 4M2019, our purchases from the Overlapping Customers in aggregate amounted to approximately HK\$21.8 million, HK\$13.9 million and HK\$3.2 million, respectively, representing approximately 17.7%, 9.0% and 5.9% of our total purchases for the corresponding period, respectively.

Save as disclosed above, there were no other major customers during the Track Record Period which were also our suppliers during the corresponding period.

PRICING

Hotel room

For the sales and distribution of hotel rooms where we do not have any contracts or arrangements with the hotel operators, our Group generally determines the selling price on a cost-plus basis taking into account of several factors, including types of customers, market demand, prevailing market rates of hotels with similar grade, number of rooms on hand and whether there is any special event on the relevant day.

BUSINESS

For the sales and distribution of hotel rooms where we have Distribution Agreements with the Selected Partners, we generally determine the selling price taking into account of the Pre-determined Room Rates and the expected market demand (e.g. whether the relevant day is a weekday, weekend or festival period). Our Group also considers the market demand and feedback on the spot as reflected by the Selected Partners. Upon discussion with the Selected Partners, our Group may increase the selling price to maximise the profits or lower the selling price so as to increase the chance of selling the hotel rooms and to minimise the losses.

For the sales and distribution of hotel rooms where we have Cooperation Agreement or Framework Agreements with the Selected Partners, we generally negotiate with the relevant Selected Partners to arrive at a selling price at which our Group and the relevant Selected Partners can make a profit. Our Group generally does not provide an indicative price range for the retail price of hotel rooms to the Selected Partners under the Cooperation Agreements and Framework Agreements for which the Selected Partners have the discretion to determine the selling price to their customers.

Car rental services

For car rental services, our pricing is based on seasonality, car availability, costs of similar services offered by our competitors, car type, duration of rental and market demand.

Other travel-related products and services

The pricing for our travel-related products and services is generally determined on a cost-plus basis, mainly taking into consideration of the cost of the products and services, the prices of similar products and services offered by our competitors and market demand.

SEASONALITY

The travel industry business is inherently subject to seasonality. Demand for our products and services is generally higher during holiday and festival periods such as schools summer holidays, Christmas, Chinese New Year and Chinese National Day. Moreover, demand for our hotel rooms may generally increase when concerts, exhibitions or events take place in Macau. Due to higher demand, prices of our products and thus our revenue is generally higher in peak seasons than low seasons. As such, our operating results are subject to fluctuations due to seasonal factors.

QUALITY CONTROL

In order to ensure the quality of our products and services, we implement certain quality control procedures:-

- (i) We select hotel operators with whom we intend to enter into Hotel Rooms Guarantee Agreements based on their track record, demand from customers, ratings from customers, rooms and service quality.
- (ii) As for our car rental services, we inspect our vehicles on a regular basis to make sure they are in good conditions, and we follow up with our customers from time to time for feedback on our services, including services provided by our drivers.

BUSINESS

Upon receiving feedbacks from customers, we work on such areas identified by our customers to make improvements.

Our car fleet undergoes maintenance by third-party car repair service providers on a regular basis to ensure that they are safe and roadworthy. During the Track Record Period, we had not experience any malfunctioning of our vehicles which has a material adverse impact on our operation.

CUSTOMER CARE AND COMPLAINT HANDLING

Customer service

Our customer service department handles customer general enquiries, complaints and feedback. We generally do not accept changes in reservation or cancellation for any of our service and products, except for products such as air tickets where the service or product providers accept refund under certain circumstances.

Complaint handling

During Track Record Period, we have not received any complaint which will have a material adverse effect on our operations or financial conditions. Our Group has not received any complaint from customers via Macao SAR Government Consumer Council since its incorporation and up to 27 August 2019. For complaints relating to hotel rooms, customers usually pass their complaints to the relevant hotel operators directly.

RESEARCH AND DEVELOPMENT

During the Track Record Period, due to the nature of our business which mainly involves the sales and distribution of hotel rooms and provision of car rental services, our Group had not incurred any expenses on research and development.

MARKET AND COMPETITION

According to the Ipsos Report, the degree of competition of the travel agent industry in Macau is relatively high and was fragmented with 227 travel agents as at 30 June 2019, where most of them had a relatively small percentage of market share in the industry. The total revenue of the travel agent industry in Macau was approximately MOP8,506.2 million for FY2018, while our Group recorded revenue of approximately HK\$160.3 million (excluding the revenue generated from the Multi-purpose Car Rental Services) during the same period, accounting for approximately 1.9% to the total revenue of travel agent industry in Macau for FY2018.

For travel agent business, the market players compete on (i) relationship with upstream suppliers and downstream distributors to secure products to sell and customers to sell to; (ii) one-stop service with broad range of products which allows flexibility of products bundles; and (iii) ability to provide new products or services that cannot be provided by online booking platform, such as customised packages.

BUSINESS

The entry barriers of travel agent industry include (i) established supplier and customer relationships which is built over time; and (ii) financial requirement for upfront payment of deposit and/or bank guarantee to hotel operators.

For FY2018, the car rental services industry in Macau which was primarily driven by the number of tourists in Macau was mainly consolidated with the top three car rental services providers, in aggregate, accounting for approximately 81.8% of total revenue in car rental services industry in 2018. Our Group recorded revenue of approximately HK\$8.6 million during the same period, accounting for approximately 2.1% to the total revenue of car rental industry in Macau in 2018.

For car rental services, the players compete on (i) diversity of vehicles in their car fleets to satisfy the needs of different types of tourists and the needs for different occasions and events; and (ii) established relationship with major industry players such as hotel operators which will lead to ultimate customers such as tourists.

The entry barriers of car rental services industry in Macau include (i) high initial capital for new entrants to acquire vehicles; and (ii) advantages enjoyed by established firms due to their economies of scale which allow them to offer competitive prices.

Please refer to the section headed “Industry overview” in this prospectus for further details of travel agent and car rental services industry in Macau.

For our competitive strengths, please refer to the paragraph headed “Our competitive strengths” in this section above.

EMPLOYEES

As at 31 December 2017 and 2018 and 30 April 2019, our Group had 22, 66 and 74 full-time employees, including our executive Directors, respectively. The following table provides a breakdown of our employees by geographical locations and responsibilities as at 30 April 2019:

Geographical location	Number of employees
Macau	68
Hong Kong	2
PRC	4
Total	74

BUSINESS

Functions	Number of employees
Management	9
Sales and customer service representatives	5
Drivers	40
Finance and administration	12
Marketing	2
Others	6
Total	74

Recruitment and remuneration

Our Group generally recruits our employees through employment agents, and job postings on the website of the Labour Affairs Bureau of Macau and recruitment websites.

The remuneration of our employees includes salaries and bonuses which are subject to annual performance review. Our employees do not receive commission for selling the products and services. For FY2017, FY2018 and 4M2019, our total staff costs (including Directors' remuneration) amounted to approximately HK\$3.5 million, HK\$6.6 million and HK\$4.0 million, respectively.

Employee training

To ensure the high quality of services, our Group provides suitable training to our employees according to their function. For sales and customer service representative and drivers, our Group provides in-house induction programme prior to their commencement of work. Other supporting staff will be provided on-the-job training by their supervisors.

Employee relationships

Our Directors believe that we have a good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, our Group did not have any labour union. Our Directors also confirm that our Group has not experienced any significant problems with our employees or disruption to our operations due to labour disputes nor has our Group experienced any difficulties in the retention of experienced staff or skilled personnel during the Track Record Period.

OCCUPATION HEALTH AND SAFETY MATTERS

Our Group is of the view that our staff is our most valuable asset and their health and work safety are always one of our main concerns. Our Group provides compulsory industrial accident insurance and medical insurance for our employees.

During the Track Record Period and up to the Latest Practicable Date, we did not have any accident which had materially and adversely affected our financial condition or business operations, and we have not been subject to any material claim or penalty in relation to health and work safety by our employees.

BUSINESS

INSURANCE

As at the Latest Practicable Date, our Group maintained various insurance policies relating to our business operations and our employees, such as professional insurance for travel agents, employees' compensation insurance, compulsory industrial accident insurance, medical insurance, insurance for our offices and service points and motor vehicle insurance.

For FY2017, FY2018 and 4M2019, our insurance cost amounted to approximately HK\$58,000, HK\$37,000 and HK\$41,000, respectively. Our Directors believe that the insurance coverage taken out by us is in line with industry norm in Macau and is adequate and sufficient for our operations. However, there are risks for which we may not have sufficient or any insurance coverage for losses, damages and liabilities that may arise in our business operations. Please refer to the paragraph headed "Risk factors — Our insurance coverage may be insufficient to cover all risks and losses and we may need to absorb the losses by ourselves" in this prospectus for further information. Our Directors have confirmed that we were not subject to any material insurance claims or liabilities arising from our operations during the Track Record Period.

INFORMATION TECHNOLOGY

Our Group has installed a computer system to monitor daily sales operation and an accounting system for processing our operating and financial data. Our Group also has backup server for keeping our operation data available and accessible.

Other than the above specified, our Group confirms that there is no material technology required for our business operation during the Track Record Period.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had registered five trademarks in Macau and two trademarks in Hong Kong, and we had filed for one and one trademark applications in Hong Kong and Macau, respectively. For details, please refer to the paragraph headed "B. Further information about the business of our Group — 2. Intellectual property rights" as set out in Appendix IV to this prospectus.

To the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Applicable Date, there was no infringement of our intellectual property right by any third party, nor by us of any intellectual property rights owned by third parties.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, our Group did not own any property.

BUSINESS

Leased properties

As at the Latest Practicable Date, our Group rented eight properties (including offices and service points) and 39 carparking spaces in Macau, one property in the PRC and one property in Hong Kong, particulars of which are set out below:

Use of Property	Address	Approximate gross floor area (sq.ft)	Expiry date of current lease
Office and service point	澳門新口岸新填海區宋玉生廣場336-342號誠豐商業中心10樓I室 (Unit I, 10th Floor, Centro Comercial Cheng Feng, Alameda Dr. Carlos d'Assumpção no. 336-342, Macau*)	900	15 October 2019 (Note)
Office	澳門布魯塞爾街33號至119號，巴黎街10號至118號，宋玉生廣場322至362號及馬濟時總督大馬路315號至365號，富達花園(誠豐商業中心)9樓P室 (Unit P, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d'assumpção no. 336-342,Macau*)	883	15 April 2021 (Note)
Office	澳門布魯塞爾街33號至119號，巴黎街10號至118號，宋玉生廣場322至362號及馬濟時總督大馬路315號至365號，富達花園(誠豐商業中心)9樓Q室 (Unit Q, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d'assumpção no. 336-342,Macau*)	910	15 April 2021 (Note)

BUSINESS

Use of Property	Address	Approximate gross floor area (sq.ft)	Expiry date of current lease
Office	澳門布魯塞爾街33號至119號，巴黎街10號至118號，宋玉生廣場322至362號及馬濟時總督大馬路315號至365號，富達花園(誠豐商業中心)9樓O室 (Unit O, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d'assumpção no. 336-342, Macau*)	900	15 April 2021 <i>(Note)</i>
Office	澳門布魯塞爾街33號至119號，巴黎街10號至118號，宋玉生廣場322至362號及馬濟時總督大馬路315號至365號，富達花園(誠豐商業中心)9樓N室 (Unit N, 9th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d'assumpção no. 336-342, Macau*)	1,133	15 April 2021 <i>(Note)</i>
Service point	澳門布魯塞爾街33號至119號，巴黎街10號至118號，宋玉生廣場322至362號及馬濟時總督大馬路315號至365號，富達花園(誠豐商業中心)地下I (Unit I, Ground Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Rua de Paris no. 90, Macau*)	1,117	31 December 2019

BUSINESS

Use of Property	Address	Approximate gross floor area (sq.ft)	Expiry date of current lease
Service point	澳門外港客運碼頭商用空間 1631室 (Commercial area no. 1631 of Macau Outer Harbour Ferry Terminal, Macau*)	65	31 December 2019
Service point	澳門氹仔東亞運大馬路750號 賽馬會旁Lot 3地段堤岸大廈 之標記6號地舖 (Area no. 6 Ground Floor, River Let, Avenida dos Jogos da Ásia Oriental no. 750, Macau*)	1,295	31 October 2020
Office	中國珠海珠澳跨境工業區珠海 園區5-3號地廠房三樓C1區 (Zhuhai Zhuao Cross Border Industrial Area, Zhuhai Park 5-3, District C1, 3/F, the PRC*)	2,066	30 September 2021
Office	Room 1201, 12th Floor Dawning House 145 Connaught Road Central Hong Kong	730	1 October 2020

BUSINESS

Carparking spaces	Address	Expiry date of current lease
6 parking spaces	澳門布魯塞爾街33至119號，巴黎街10至118號，宋玉生廣場322至362號及馬濟時總督大馬路315至365號富達花園（誠豐商業中心）地下A的302, 303, 304, 305, 306, 307號車位 (Carparking spaces no. 302, 303, 304, 305, 306 and 307 of Unit A, Ground Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Rua de Paris no. 68, Macau*)	8 September 2021
7 carparking spaces	澳門氹仔信安馬路897號永念庭地庫層其中7個車位 (7 carparking spaces at basement, Avenida Son On no. 877-919 and Rua da Riqueza no. 15, Taipa, Macau*)	31 August 2020
23 Carparking spaces	澳門鴨涌河邊街8號，化驗所巷23-25號及化驗所街4號地段，茵豪薈地庫一層的1, 7, 10, 14, 15, 18, 19, 20, 24, 33, 34, 35號車位及地庫三層的7, 12, 13, 15, 16, 17, 19, 20, 22, 34, 35號車位(Carparking spaces nos. 1, 7, 10, 14, 15, 18, 19, 20, 24, 33, 34, 35 on the basement level 1 and no.7, 12, 13, 15, 16, 17, 19, 20, 22, 34, 35 on the basement level 3, Yoho Macau Tower, Rua Marginal do Canal dos Patos no.8, Macau, Travessa do Laboratório no.23-25 and Rua do Laboratório no.4, Macau*)	31 August 2020
3 Carparking spaces	澳門黑沙環中街216號至624號寰宇天下地下AL R/C 150,151,152號車位 (Car parking spaces nos. 150,151, 152 at AL R/C, Ground Floor, Rua Central da Areia Preta no. 216-624, Macau*)	15 July 2021

BUSINESS

Note: As at 30 April 2019, we rented the Old Properties comprising two units at 10th Floor of Centro Comercial Cheng Feng in Macau of which expiry date of the leases was 15 October 2019. Subsequent to the Track Record Period, the landlord of the Old Properties notified our Group that the landlord intended to early terminate the leases of the Old Properties. The effective dates of the early termination of the leases were 16 August 2019 and 16 September 2019, respectively. As a result, subsequent to the Track Record Period, we rented the New Properties at 9th Floor of Centro Comercial Cheng Feng in Macau. The leases of the New Properties commenced on 16 July 2019 and will expire on 15 April 2021. Considering that (i) the leases of the Old Properties were early terminated; and (ii) the Old Properties constituted two of our three offices in Macau, our Group accelerated our timeline for relocation. As a result, we have relocated to the New Properties in August 2019 before our full renovation, and will continue the renovation of the New Properties in phases until November 2019.

In addition, as at 30 April 2019 we rented an office in Macau at 澳門布魯塞爾街33號至119號，巴黎街10號至118號，宋玉生廣場322至362號及馬濟時總督大馬路315號至365號，富達花園(誠豐商業中心)E16 (Unit E, 16th Floor, Fu Tat Fa Yuen (Centro Comercial Cheng Feng), Alameda Dr. Carlos d'assumpção no. 336-342, Macau*). Subsequent to the Track Record Period, we have early terminated the lease with effective date of 1 September 2019 and have relocated to the New Properties in August 2019. The landlord has confirmed in writing that it would not charge any penalty for the early termination of the lease.

All the landlords for the abovementioned properties are Independent Third Parties.

As at 30 April 2019, we did not carry out any property activity (as that term is defined in the GEM Listing Rules), and we had no single property with a carrying amount of 15% or more of our total assets. On this basis, we are not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance, which requires a valuation report to all our interests in land and buildings.

ENVIRONMENTAL MATTERS

Our core operations, being the sales and distribution of hotel rooms and provision of car rental services and sales and provisions of air tickets and other ancillary travel-related products and services, do not involve significant environmental risks. During the Track Record Period, our Group did not incur any significant expenses on compliance with environmental laws and regulations.

LICENCES, PERMITS AND APPROVALS

As advised by the Macau Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, all of our subsidiaries had obtained and currently maintain all material permits, licences and approval which are required for our business operations, and our Group had not experienced any instances of suspension or revocation of material licences, permits and approvals granted to us that were essential to our operations.

BUSINESS

As at the Latest Practicable Date, our Group had obtained the following licence and authorisation which are material to our business operations:

	Issuing authorities	Licence/ permit/ approval	Holder	Licence no.	Date of Grant/ Registration	Expiry date for existing licence
1.	MGTO	Licence of travel agent	Ying Hai Tourism	0253	7 August 2019	13 September 2020
2.	MGTO	Authorisation for the exercise of the car rental industry without drivers	Ying Hai Rent-a-Car	1709224/ DL12-17	3 November 2017	No time limit

As advised by the Macau Legal Advisers, they are not aware of any legal impediment up to the Latest Practicable Date for our Group to renew the travel agent licence when it is due for renewal.

As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services. We have been liaising closely with different government authorities in Hong Kong in relation to the application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services in the fourth quarter of 2019.

LEGAL AND COMPLIANCE

Our Directors and our Macau Legal Advisers confirm that, during the Track Record Period and up to the Latest Practicable Date, we have complied with the relevant Macau regulatory requirements in all material respects, and there were no material incidents of regulatory non-compliance that led to regulatory measure or fines imposed by any regulatory authorities in Macau.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, none of our Company or our subsidiaries have been involved in any litigation or arbitration of material importance that, individually or in the aggregate, would have a material adverse effect on our business, financial condition and results of operations and to the best knowledge of our Directors, there is no pending or threatened litigation, arbitration or claim of material importance against our Company or any of our subsidiaries.

BUSINESS

CASH CONTROL POLICY

All cash proceeds must be delivered to a designated person who are responsible for keeping such cash in the safe. The cash proceeds must be banked in every week and a copy of the bank-in slip must be provided to the finance and accounting department on the bank-in date. Our accounting manager and senior finance manager are responsible for ensuring compliance with our cash control policy and is tasked with checking that the copy of the bank-in slip is received in our system.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

In preparation for the Listing, we engaged an internal control adviser to perform an evaluation of our internal control system including the areas of financial, operation, compliance and risk management with an aim to, among other matters, improve our corporate governance. Our internal control adviser provides internal control review services, and has been previously engaged in internal control review projects for a number of companies listed or preparing for listing on the Stock Exchange. The engagement team of our internal control adviser includes members of the HKICPA.

Risk management

During the Track Record Period, we assessed and managed our risks arising from our operations based on the experience of our management. In order to strengthen our risk management system, we have established formal risk management policies for identifying, evaluating and managing the risks faced by our Group on an on-going basis.

Our management will identify the risks associated with their day to day operations for review by our Board. The identified risks will be documented in a risk register and updated regularly. Our Board shall be responsible for evaluating and determining the nature and extent of the risks that our Board is willing to take to achieve our strategic objectives, and for formulating policies to control or manage any significant risk to an acceptable level. Our management shall implement and take day to day responsibility for Board policies on risk management.

Our Board will closely monitor and regularly review the effectiveness of our internal control and risk management system. In order to strengthen our corporate governance on internal control and risk management, we have appointed Lego Corporate Finance Limited as our compliance adviser to advise us on compliance with the GEM Listing Rules upon Listing.

BUSINESS

Corporate Governance

We continuously strive to strengthen the role of our Board as a body responsible for decision-making concerning our fundamental policies and upper-level management issues, and supervising the execution of our operation. Our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. The independent non-executive Directors contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge.

Credit risk

Our customers consist of retail and corporate customers. Retail customers are normally not provided with credit terms whilst corporate customers, including the Selected Partners, are normally granted credit term of approximately 30 days. The length of credit period is granted on a case-by-case basis depending on the customer's reputation and credibility, payment history and business relationship with our Group.

We also normally grant credit term of approximately 30 days for our VIP customers and long term customers, including individual and corporate customers.

In terms of credit control, our Group assesses customers' ability to pay before granting them a credit period. Our Group will take action as may be necessary to recover overdue amounts, including but not limited to sending reminders and making follow up phone calls with our customers, and commencing legal proceedings if necessary.

Currency risks

Our Group operates in Macau with majority of the transactions being settled in MOP and HK\$. Our Group is not exposed to foreign exchange risk in respect of HK\$ against MOP as the exchange rate of MOP is pegged against HK\$. Our Group considers that there is no significant foreign exchange risk.

Throughout the Track Record Period and up to the Latest Practicable Date, our Group had not engaged in any hedging activity.

Market risks

Our Group is exposed to market risks relating to changes in the tourist industry in Macau. Our Directors will closely monitor the industry and government policies to identify and assess the market risks and will adopt different development strategies from time to time to mitigate market risks.

FINANCIAL INFORMATION

You should read the following discussion of our result of operation and financial condition in conjunction with our audited consolidated financial information as at and for FY2017, FY2018 and 4M2019, including the notes thereto, included in Appendix I to this prospectus. This historical consolidated financial information is not necessarily indicative of the future performance of our Group. Our consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in material respects from the generally accepted accounting principles in other jurisdictions.

The following discussion contains forward-looking statements that involves risk and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current condition and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of factors over which we have no control. You should review the section headed “Risk factors” in this prospectus for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

OVERVIEW

Founded in 2014, our Group is primarily a wholesale licensed travel agent that focuses on the provision of business-to-business domestic travel services and a car rental services provider based in Macau offering to our customers a range of products and services which include hotel rooms, car rental services, air tickets and other ancillary travel-related products and services.

Our revenue amounted to approximately HK\$117.6 million, HK\$165.7 million and HK\$62.2 million for FY2017, FY2018 and 4M2019, respectively, which was derived from (i) sales and distribution of hotel rooms, which contributed approximately 94.8%, 94.0% and 92.4% of our total revenue, respectively; (ii) provision of car rental services, which contributed approximately 4.2% and 5.2% and 6.9% of our total revenue, respectively; and (iii) sales and provision of air tickets and other ancillary travel-related products and services, which contributed approximately 1.0%, 0.8% and 0.7% of our total revenue, respectively.

BASIS OF PRESENTATION

Our Group was incorporated in the Cayman Islands under the Companies Law on 18 December 2018 as an exempted company with limited liability. As a result of the Reorganisation, our Company has become the holding company of the companies comprising our Group. For further details of our Reorganisation, please refer to the paragraph headed “History, development and Reorganisation — Reorganisation” in this prospectus. The consolidated financial information in the Accountants’ Report has been prepared as if the current group structure had been in existence throughout the Track Record Period.

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

FINANCIAL INFORMATION

Details regarding the basis of presentation and preparation of our consolidated financial information are set out in note 2 to the Accountants' Report.

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS

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

Reliance on our key customers

We have derived, and believe we will continue to derive in the near term, a substantial portion of our revenue from and through our largest customer, Customer A. We generated revenue from Customer A which accounted for approximately 35.0%, 19.2% and 21.5% of our total revenue, and we generated revenue through Customer A of approximately 45.8%, 38.2% and 24.0% of our total revenue for FY2017, FY2018 and 4M2019, respectively. Moreover, our five largest customers accounted for approximately 42.5%, 46.3% and 63.8% of our total revenue for FY2017, FY2018 and 4M2019, respectively. A number of factors could affect financial performance or revenue generated from and through our major customers, and some of these factors are not predictable and are beyond our control. For example, the customers or the Selected Partners may not be willing to procure from us at similar prices, request a higher distribution service fees for the hotel rooms sold and distributed for us or/and reduce the number of rooms procured from or sell and distribute for us (as the case may be). The customers may also switch to another service provider or liaise directly with the hotel operators. In addition, the customers may not continue their business relationship with us, whether on similar terms to the existing arrangement or at all. In addition, our Group usually is not their exclusive service provider. Any decision by our key customers to reduce or discontinue its business with us would adversely affect our business, financial condition and results of operations.

Reliance on our key suppliers

We are dependent on our suppliers, which primarily consist of hotel operators and other travel products providers. Our five largest suppliers amounted to approximately 75.7%, 76.2% and 76.6% of our total purchase for FY2017, FY2018 and 4M2019, respectively.

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

FINANCIAL INFORMATION

Changes in macroeconomic conditions and travel industry of Macau

We primarily derived our revenue from business operation in Macau. Any downturn in the economy of Macau or changes in any regulations or policies relating to travel industry of Macau could have a material adverse effect to our business and results of operations, which would in turn reduce the demand for our products and services. Furthermore, the travel industry in Macau generally relied on the number of PRC visitors, which contributed more than 60% of the total visitors to Macau. Any fluctuation in number of visitors to Macau due to changes in political environments and economic conditions could materially affect the total visitors visiting and spending in Macau and thus our business and results of operation.

Seasonality

We generally experienced fluctuations in our financial results due to the inherent seasonal nature of the travel industry. Demand for our products and services is generally higher during holiday and festival periods such as schools summer holidays, Christmas, Chinese New Year and Chinese National Day. Moreover, demand for our hotel rooms may generally increase when concerts, exhibitions and events take place in Macau. Due to a higher demand, the prices of our products and thus our revenue is generally higher in peak seasons than low seasons. Accordingly, during the Track Record Period, our revenue demonstrated a seasonal pattern. In light of such seasonal patterns of our business, our revenue and results of operations are likely to continue to fluctuate due to seasonality, and thus the results for any period in a year are not necessarily indicative of the full year results.

Fluctuations in our cost of services

The main component of our cost of sales included cost of hotel rooms and distribution service fees paid to the Selected Partners. For FY2017, FY2018 and 4M2019, our cost of hotel rooms amounted to approximately HK\$82.2 million, HK\$120.6 million and HK\$44.9 million, respectively, which accounted for approximately 90.5%, 92.1% and 92.3% of our cost of sales, respectively, and purchase of hotel rooms amounted to approximately HK\$96.4 million, HK\$130.9 million and HK\$47.5 million, which accounted for approximately 78.2%, 84.3% and 86.5% of our total purchases, respectively. As a result, our profitability heavily depends on our ability to control and manage our cost of hotel rooms. As the actual cost of hotel rooms related to an order will not be realised until the actual delivery of our service, any fluctuations in the cost of hotel rooms will affect our profitability.

APPLICATION OF HKFRSs

For the purpose of preparing and presenting the consolidated financial information, we have consistently applied the HKFRSs which are effective for annual periods beginning on 1 January 2019 throughout the Track Record Period including HKFRS 15 *Revenue from Contracts with Customers*, except that we applied HKFRS 9 *Financial Instruments* and HKFRS 16 *Leases* on 1 January 2018 and 1 January 2019, respectively, and applied HKAS 39 *Financial Instruments: Recognition and Measurement* and HKAS 17 *Leases* for FY2017 and FY2018, respectively.

Our Group has not early applied the new and revised HKFRSs which have been issued but are not yet effective.

FINANCIAL INFORMATION

HKFRS 15

Our Group has early adopted HKFRS 15, which is effective for annual periods beginning on or after 1 January 2018, in preparation of the financial information throughout the Track Record Period.

The revenue recognition policies of our Group are not materially different as compared to HKAS 18 *Revenue*, as the early adoption of HKFRS 15 did not have any material impact on the timing and amounts of revenue recognition, thus the impact on the financial position and financial performance of the early adoption of HKFRS 15 is insignificant.

For further information of our revenue recognition policies, please refer to note 4 to the Accountants' Report.

HKFRS 9

Upon the adoption of HKFRS 9 on 1 January 2018, the difference between the previous carrying amounts under the application of HKAS 39 and the carrying amounts under the application of HKFRS 9 were recognised in the opening retained earnings. As a result of the adoption of HKFRS 9 on 1 January 2018, (i) our trade receivables and other financial assets at amortised cost decreased by approximately HK\$0.4 million from approximately HK\$39.2 million as at 31 December 2017 to approximately HK\$38.8 million as at 1 January 2018; and (ii) our retained earnings decreased by approximately HK\$0.4 million from approximately HK\$27.2 million as at 31 December 2017 to approximately HK\$26.8 million as at 1 January 2018. For further details of the impact of HKFRS 9 on our consolidated financial information, please refer to note 3 to the Accountants' Report. Considering that the decrease of approximately HK\$0.4 million in our retained earnings as at 1 January 2018 represented only 1.5% of our retained earnings as at 31 December 2017, our Directors are of the view that the adoption of HKFRS 9 did not have a significant impact on our financial position and performance.

HKFRS 16

For 4M2019, our Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, our Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 January 2019. Upon the adoption of HKFRS 16 on 1 January 2019, we recognised (i) right-of-use assets of approximately HK\$3.0 million; and (ii) lease liabilities of approximately HK\$3.0 million. The adoption of HKFRS 16 did not have any significant impact to our retained earnings as at 1 January 2019.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires us to make judgments in selecting the appropriate estimates and assumptions that affect the amounts reported in our consolidated financial statements. Actual results may differ from these estimates under different assumptions and conditions. The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes

FINANCIAL INFORMATION

in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on, among other things, our experience, our observance of trends in the industry, and information available from outside sources, as appropriate. There is be no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items.

We believe the following accounting policies involve the more significant judgments and estimates used in the preparation of our consolidated financial statements. Details regarding our significant accounting policies and critical accounting estimates and judgments are set out in notes 4 and 6 to the Accountants' Report.

Revenue recognition

Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. If control is transferred over time, revenue is recognised over time by reference to the progress toward complete satisfaction of the relevant performance obligation if certain criteria is met. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue recognition on sales and distribution of hotel rooms

When determining the revenue recognition policy in respect of revenue generated from the sales and distribution of hotel rooms, our Group has made reference to the relevant requirements concerning "principal versus agent considerations" as set out in HKFRS 15 to determine whether our Group is acting as principal or as agent in these arrangements.

For revenue generated from the sales and distribution of hotel rooms under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales, our Group procures and is guaranteed a fixed number of hotel rooms from the hotel operators and is contractually liable to pay these hotel operators for the hotel rooms regardless of whether these hotel rooms are sold to our customers. Accordingly, it is considered that our Group has obtained control over these hotel rooms procured and continues to control these hotel rooms until such time that these controls are subsequently transferred to the customers. Hence it is considered that our Group has inventory risk in respect of the procured hotel rooms.

Our Group also has the discretion in determining the price for the hotel rooms sold to our customers, and indicates that our Group has the ability to direct the use of the hotel rooms.

Accordingly, our Group is acting as a principal for the sales and distribution of hotel rooms under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales and therefore revenue is recognised as the amount of the consideration that our Group is entitled from transferring the control of the hotel rooms to the customers.

FINANCIAL INFORMATION

Margin income on sales and distribution of hotel rooms

Our Group also arranges for the sales and distribution of hotel rooms on behalf of another party and recognises margin income from the sales and distribution of such hotel rooms. For those purchases of hotel rooms to be provided by other parties to customers, i.e. hotel operators or other suppliers, our Group does not control these hotel rooms before they are transferred to customers, and our Group recognises margin income on net basis as agent.

For further details regarding our accounting policy relating to revenue recognition, please refer to note 4 to the Accountants' Report.

Leases

For our provision of vehicle leasing, rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease terms.

All of the properties used by our Group for operations are under operating lease, please refer to the paragraph headed "Business — Properties — Leased properties" in this prospectus for details. Upon adoption of HKFRS 16 on 1 January 2019, the distinction between operating lease and finance lease is removed for lessee accounting and our Group recognised right-of-use assets and the corresponding lease liabilities of the leases available for use by our Group. For further details regarding our accounting policy relating to leasing, please refer to note 4 to the Accountants' Report.

Taxation

Income tax expenses included the current tax and deferred tax. The current tax is based on taxable profit for the year. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax are recognised in profit or loss.

We are subject to Macau Complementary Tax and PRC Enterprise Income tax. For further details, please refer to notes 4 and 13 to the Accountants' Report.

Foreign currency translation

Our transactions are primarily settled in MOP, HK\$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities while we present our financial statement in HK\$, which are denominated in a currency that is not the functional currency of our Group.

Our Group is not exposed to foreign exchange risk in respect of HK\$ against MOP as long as these currencies are pegged. Further, the transactions and monetary assets denominated in RMB are minimal, our Group considers there is no significant foreign exchange risk in respect of RMB.

FINANCIAL INFORMATION

Our Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. Our Group will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	FY2017	FY2018	4M2018	4M2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	117,628	165,662	53,265	62,157
Cost of Sales	(90,848)	(130,974)	(41,129)	(48,608)
Gross profit	26,780	34,688	12,136	13,549
Other gain and income	190	18	—	383
Administrative expenses	(6,067)	(10,005)	(3,028)	(4,888)
Listing expenses	—	(5,828)	—	(5,500)
Finance costs	(2)	(10)	(3)	(48)
Profit before tax	20,901	18,863	9,105	3,496
Income tax expenses	(2,665)	(2,587)	(1,194)	(603)
Profit for the year/period	18,236	16,276	7,911	2,893
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
— Exchange differences on translation of financial statements	194	(216)	145	70
Total comprehensive income for the year/period	18,430	16,060	8,056	2,963
Adjusted profit for the year/period (excluding Listing expenses)^(Note)	18,236	22,104	7,911	8,393
Profit for the year/period attributable to:				
— Owner of our Company	18,218	16,276	7,911	2,893
— Non-controlling interests	18	—	—	—
	18,236	16,276	7,911	2,893
Total comprehensive income for the year/period attributable to:				
— Owner of our Company	18,407	16,060	8,056	2,963
— Non-controlling interests	23	—	—	—
	18,430	16,060	8,056	2,963

FINANCIAL INFORMATION

Note:

Non-HKFRS measures

To supplement our consolidated financial statements which are prepared in accordance with HKFRSs, we also presented the adjusted profit for the year/period.

We believe that adjusted profit for the year/period is a useful supplement to the consolidated statements of profit or loss and other comprehensive income because it reflects our profitability for our operation without taking into consideration of the non-recurring Listing expenses. However, adjusted profit for the year/period should not be considered in isolation or construed as an alternative to gross profit or profit for the year/period prepared in accordance with HKFRSs, or as an alternative to cash flow as a measurement of liquidity and shall be used for illustrative purpose only. Potential investors should be aware that the adjusted profit for the year presented in this prospectus may not be comparable to similarly titled measures reported by other companies due to differences in the components of the calculation.

The table below sets forth the adjusted profit for the year/period during the Track Record Period:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Profit for the year/period	18,236	16,276	7,911	2,893
Add:				
Listing expenses	<u>—</u>	<u>5,828</u>	<u>—</u>	<u>5,500</u>
Adjusted profit for the year/period	<u>18,236</u>	<u>22,104</u>	<u>7,911</u>	<u>8,393</u>

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

For FY2017, FY2018 and 4M2019, we derived our revenue from (i) sales and distribution of hotel rooms, which contributed approximately 94.8%, 94.0% and 92.4% of our total revenue, respectively; and (ii) provision of car rental services, which contributed approximately 4.2%, 5.2% and 6.9% of our total revenue, respectively; and (iii) sales and provision of air tickets and other ancillary travel-related products and services, which contributed approximately 1.0%, 0.8% and 0.7% of our total revenue, respectively.

Our revenue increased by approximately HK\$48.1 million from approximately HK\$117.6 million for FY2017 to approximately HK\$165.7 million for FY2018, representing an increase of approximately 40.8%, and increased by approximately HK\$8.9 million from approximately HK\$53.3 million for 4M2018 to approximately HK\$62.2 million for 4M2019, representing an increase of approximately 16.7%. Sales and distribution of hotel rooms was the main driver of the increase in our revenue, which accounted for an increase of approximately HK\$44.2 million from FY2017 to FY2018 and approximately HK\$6.3 million from 4M2018 to 4M2019.

FINANCIAL INFORMATION

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

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Sales and distribution of hotel rooms ^(Note)	111,451	94.8	155,670	94.0	51,114	96.0	57,427	92.4
Provision of car rental services	4,980	4.2	8,585	5.2	1,615	3.0	4,281	6.9
Sales and provision of air tickets and other ancillary travel-related products and services	1,197	1.0	1,407	0.8	536	1.0	449	0.7
Total revenue	<u>117,628</u>	<u>100.0</u>	<u>165,662</u>	<u>100.0</u>	<u>53,265</u>	<u>100.0</u>	<u>62,157</u>	<u>100.0</u>

Note: Our Group secures the hotel rooms mainly through four sources: (i) guaranteed number of hotel rooms at Pre-determined Room Rates from hotel operators; (ii) hotel rooms purchased from hotel operators by way of allotment from time to time; (iii) purchase of hotel rooms from hotel operators at promotion rates; and (iv) ad-hoc purchase of hotel rooms from hotel operators or other suppliers. For sources (i), (ii) and (iii), our Group controls the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on gross basis as principal. For source (iv), our Group does not control the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on net basis as agent. For details of each sources of hotel rooms, please refer to the paragraph headed “Business — Products and services — Sales and distribution of hotel rooms” in this prospectus.

The increase in revenue generated from the sales and distribution of hotel rooms of approximately 39.7% and 12.4% from FY2017 to FY2018 and from 4M2018 to 4M2019, respectively, was primarily attributable to the increase in the number of hotel rooms sold and distributed and the average hotel room rates. For FY2018, the number of hotel rooms sold and distributed and the average hotel room rates increased by approximately 20.8% and 9.3%, respectively, as compared to FY2017. For 4M2019, the number of hotel rooms sold and distributed and the average hotel room rates increased by approximately 4.4% and 4.6%, respectively, as compared to 4M2018.

The increase in the number of hotel rooms sold and distributed during FY2018 was mainly driven by (i) the commencement of sales and distribution of hotel rooms of approximately 7,200 hotel rooms of Macau Roosevelt Hotel during FY2018; (ii) increase of approximately 10,000 rooms of L'Arc Hotel Macau sold and distributed; (iii) increase of approximately 9,000 rooms of Pousada Marina Infante Macau sold and distributed; and (iv) increase of approximately 5,000 rooms of Hotel V sold and distributed as compared to corresponding year. The increase in the number of hotel rooms sold and distributed during 4M2019 was mainly driven by (i) increase of approximately 2,400 hotel rooms of Pousada Marina Infante Macau sold and distributed; (ii) increase of approximately 2,000 hotel rooms of Regency Art Hotel sold and distributed; (iii) increase of approximately 1,300 hotel rooms of Macau Roosevelt Hotel sold and distributed; and (iv) the commencement of sales and distribution of hotel rooms of approximately 200 hotel rooms of Hotel P during 4M2019 as compared to corresponding period.

FINANCIAL INFORMATION

The increase in our average hotel room rates during the Track Record Period was mainly driven by the macro environment. According to the Ipsos Report, the average room rates of hotel rooms in Macau for FY2018 increased by approximately 7.0% as compared to FY2017 and the average room rates further increased by 0.6% for 4M2019 as compared to FY2018.

Our Directors believe that, given (i) the increase in number of hotels in our portfolio; (ii) an increased guaranteed number of hotel rooms under the Hotel Rooms Guarantee Agreements; (iii) the synergy driven by our integrated model to offer one-stop service; and (iv) our relatively small scale as compared to our competitors as stated in the paragraph headed “Industry overview — Competitive landscape of the travel agent industry in Macau” in this prospectus, the growth rate of our revenue exceeded the industry during the Track Record Period.

FINANCIAL INFORMATION

Travel business

During the Track Record Period, our travel business included (i) sales and distribution of hotel rooms; and (ii) sales and provision of air tickets and other ancillary travel-related products and services.

For illustrative purpose, the following table sets forth the reconciliation of revenue and gross proceeds of our travel business segment by types of business models for the years or periods indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2018</u>	<u>4M2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Revenue generated from the sales and distribution of hotel rooms pursuant to:				
- Distribution Agreements ^(Note 1)	57,227	63,241	24,287	14,909
- Cooperation Agreements ^(Note 2)	44,101	54,813	18,681	13,258
- Framework Agreements ^(Note 3)	—	16,649	—	23,392
- Direct sales ^(Note 4)	7,684	19,228	7,509	5,468
Revenue generated from the sales and distribution of hotel rooms as principal	<u>109,012</u>	<u>153,931</u>	<u>50,477</u>	<u>57,027</u>
Gross proceeds generated from the sales and distribution of hotel rooms	16,640	12,047	4,525	3,058
Cost of hotel rooms	<u>(14,201)</u>	<u>(10,308)</u>	<u>(3,888)</u>	<u>(2,658)</u>
Margin income generated from the sales and distribution of hotel rooms ^(Note 5)	<u>2,439</u>	<u>1,739</u>	<u>637</u>	<u>400</u>
Total revenue generated from the sales and distribution of hotel rooms	<u>111,451</u>	<u>155,670</u>	<u>51,114</u>	<u>57,427</u>
<i>Representing:</i>				
Revenue generated from the sales and distribution of hotel rooms as principal	109,012	153,931	50,477	57,027
Gross proceeds generated from the sales and distribution of hotel rooms as agents	<u>16,640</u>	<u>12,047</u>	<u>4,525</u>	<u>3,058</u>
Total gross proceeds generated from the sales and distribution of hotel rooms	<u>125,652</u>	<u>165,978</u>	<u>55,002</u>	<u>60,085</u>

FINANCIAL INFORMATION

	FY2017	FY2018	4M2018	4M2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Gross proceeds generated from the sales and provision of air tickets and other ancillary travel-related products and services	20,787	20,395	8,801	6,852
Cost of air tickets and other ancillary travel-related products and services	(19,590)	(18,988)	(8,265)	(6,403)
Margin income generated from the sales and provision of air tickets and other ancillary travel-related products and services ^(Note 5)	<u>1,197</u>	<u>1,407</u>	<u>536</u>	<u>449</u>

Notes:

1. For hotel rooms of L'Arc Hotel Macau sold and distributed through the Selected Partners to our customers, our Group determined the prices and monitored and actively participated in the process of transactions, thus we acted as principal for the transactions, and revenue and cost of hotel rooms were presented on gross basis. Respective cost of hotel rooms and distribution service fees were recorded under cost of sales. Such gross revenue amount was recorded as the revenue of our Group. For details of the business models, please refer to the section headed "Business" in this prospectus.
2. For those hotel rooms sold and distributed to the Selected Partners, the Selected Partners determined the prices and are principally responsible for the process of transactions. The revenue represented receipts from end-customers netting off the portion of results attributable to the Selected Partners. For details of the business models, please refer to the section headed "Business" in this prospectus.
3. For those hotel rooms sold and distributed to the Selected Partners, the Selected Partners determined the prices. For details of the business models, please refer to the section headed "Business" in this prospectus.
4. For those hotel rooms directly sold to (i) end customers at our service points; (ii) online travel agent platforms; and (iii) other corporate customers.
5. It represented the hotel rooms, air tickets and other ancillary travel-related products and services sold and distributed by our Group as an agent under which there were no pre-determined arrangement, and our Group earned margin income on net basis. For details of the business models, please refer to the section headed "Business" in this prospectus.

Revenue generated from the sales and distribution of hotel rooms

We generated the majority of our total revenue generated from the sales and distribution of hotel rooms, which amounted to approximately HK\$111.5 million, HK\$155.7 million, HK\$51.1 million and HK\$57.4 million for FY2017, FY2018, 4M2018 and 4M2019, respectively. The majority of our revenue generated from the sales and distribution of hotel rooms was mainly derived from (i) sales

FINANCIAL INFORMATION

and distribution of hotel rooms (under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales); and (ii) the margin income from the sales and distribution of hotel rooms. The following table sets forth the breakdown of our revenue generated from the sales and distribution of hotel rooms for the years or periods indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2018</u>	<u>4M2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Sales and distribution of hotel rooms (under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales)	109,012	153,931	50,477	57,027
Margin income generated from the sales and distribution of hotel rooms	<u>2,439</u>	<u>1,739</u>	<u>637</u>	<u>400</u>
Total revenue generated from the sales and distribution of hotel rooms	<u><u>111,451</u></u>	<u><u>155,670</u></u>	<u><u>51,114</u></u>	<u><u>57,427</u></u>

Our revenue generated from the sales and distribution of hotel rooms increased by approximately HK\$44.2 million, or 39.7%, from approximately HK\$111.5 million for FY2017 to approximately HK\$155.7 million for FY2018 and increased by approximately HK\$6.3 million, or 12.4%, from approximately HK\$51.1 million for 4M2018 to approximately HK\$57.4 million for 4M2019, which was mainly driven by the increase in revenue generated from the sales and distribution of hotel rooms (under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales).

Sales and distribution of hotel rooms (under the Distribution Agreements Cooperation Agreements and Framework Agreements and by direct sales)

Revenue generated from the sales and distribution of hotel rooms (under the Distribution Agreements Cooperation Agreements and Framework Agreements and by direct sales) (which we acted as principal) represented the revenue generated from the sales and distribution of those hotel rooms by direct sales and for which we have entered into agreements to sell and distribute the hotel rooms to the Selected Partners and through the Selected Partners. For details of the business models, please refer to the section headed “Business” in this prospectus.

Our revenue generated from the sales and distribution of hotel rooms (under the Distribution Agreements Cooperation Agreements and Framework Agreements and by direct sales) increased by approximately HK\$44.9 million, representing an increase of approximately 41.2% from approximately HK\$109.0 million for FY2017 to approximately HK\$153.9 million for FY2018 and increased by approximately HK\$6.6 million, representing an increase of approximately 13.0% from approximately HK\$50.5 million for 4M2018 to approximately HK\$57.0 million for 4M2019. Such increase was mainly due to (i) the increase in the number of hotel rooms sold and distributed; and (ii) the increase in the average hotel room rates of the rooms sold and distributed from preceding corresponding year or period.

FINANCIAL INFORMATION

Margin income from the sales and distribution of hotel rooms

Margin income from the sales and distribution of hotel rooms represented the sales and distribution of hotel rooms (which we acted as an agent), which we did not control price and we earned the difference between the gross proceeds and the respective cost of hotel rooms. For details of the business models, please refer to the section headed “Business” in this prospectus. Our margin income from the sales and distribution of hotel rooms decreased by approximately HK\$0.7 million, representing a decrease of approximately 28.7% from approximately HK\$2.4 million for FY2017 to approximately HK\$1.7 million for FY2018 and decreased by approximately HK\$0.2 million, representing a decrease of approximately 37.2% from approximately HK\$0.6 million for 4M2018 to approximately HK\$0.4 million for 4M2019. Such decrease was mainly due to the decrease in number of hotel rooms sold and distributed by us as agent.

(i) Analysis by hotel

The following table sets out the breakdown of our revenue generated from the sales and distribution of hotel rooms by major hotels during the Track Record Period:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
L'Arc Hotel Macau	64,831	58.2	94,344	60.6	31,534	61.7	31,383	54.7
Waldo Hotel Macao	24,570	22.0	25,118	16.2	8,103	15.8	8,570	14.9
Pousada Marina Infante Macau	8,061	7.2	13,919	9.0	4,348	8.5	7,301	12.7
Regency Art Hotel	6,359	5.7	5,002	3.2	398	0.8	1,791	3.1
Hotel Y	2,048	1.8	2,668	1.7	1,477	2.9	1,684	2.9
Macau Roosevelt Hotel	—	—	6,094	3.9	1,822	3.6	3,749	6.5
Hotel V	1,748	1.6	5,204	3.3	2,096	4.1	1,333	2.3
Hotel W	1,395	1.3	1,582	1.0	699	1.4	730	1.3
Hotel P	—	—	—	—	—	—	486	0.9
Hotels for which our Group earned margin income	<u>2,439</u>	<u>2.2</u>	<u>1,739</u>	<u>1.1</u>	<u>637</u>	<u>1.2</u>	<u>400</u>	<u>0.7</u>
Total revenue generated from the sales and distribution of hotel rooms	<u>111,451</u>	<u>100.0</u>	<u>155,670</u>	<u>100.0</u>	<u>51,114</u>	<u>100.0</u>	<u>57,427</u>	<u>100.0</u>

FINANCIAL INFORMATION

The increase of approximately HK\$29.5 million in revenue generated from the sales and distribution of hotel rooms of L’Arc Hotel Macau, which represents an increase of approximately 45.5% from approximately HK\$64.8 million for FY2017 to approximately HK\$94.3 million for FY2018, was mainly due to (i) the increase in the number of hotel rooms sold and distributed; and (ii) increase in average selling price of hotel rooms of L’Arc Hotel Macau.

The slight increase of approximately HK\$0.5 million in revenue generated from the sales and distribution of hotel rooms of Waldo Hotel Macao, which represents an increase of approximately 2.2% from approximately HK\$24.6 million for FY2017 to approximately HK\$25.1 million for FY2018, was mainly due to the increase in selling price of hotel rooms of Waldo Hotel Macao.

The increase in our revenue generated from the sales and distribution of hotel rooms of approximately HK\$6.3 million from approximately HK\$51.1 million for 4M2018 to approximately HK\$57.4 million for 4M2019, representing an increase of approximately 12.3%. Such increases were mainly due to the increase in revenue generated from the sales and distribution of hotel rooms of Pousada Marina Infante Macau, Regency Art Hotel and Macau Roosevelt Hotel, in aggregate increased by approximately HK\$6.3 million, mainly due to the increase in the number of hotel rooms sold and distributed of these hotels. Our revenue generated from the sales and distribution of hotel rooms of L’Arc Hotel Macau for 4M2018 and 4M2019 remained relatively stable at approximately HK\$31.5 million and HK\$31.4 million, respectively, mainly due to the renovation of L’Arc Hotel Macau during 4M2019. For details, please refer to the paragraph headed “Recent development and material adverse change” in this section below.

(ii) Analysis by customers type

Our customers primarily comprised travel agents, corporate customers and individuals. The following table sets out a breakdown of our revenue of the sales and distribution of hotel rooms by customer types for the years or periods indicated:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Travel agents:								
— Selected Partners	45,522	40.8	63,037	40.5	18,956	37.1	31,512	54.9
— Other travel agents	121	0.1	3,569	2.3	1,892	3.7	625	1.1
— Online travel agents platforms	2	0.0	3,695	2.4	1,232	2.4	699	1.2
	45,645	40.9	70,301	45.2	22,080	43.2	32,836	57.2
Other corporate:								
— Selected Partners	—	0.0	9,384	6.0	—	—	5,254	9.1
— Others	727	0.7	1,415	0.9	896	1.8	293	0.5
Direct customers	65,079	58.4	74,570	47.9	28,138	55.0	19,044	33.2
Total revenue generated from the sales and distribution of hotel rooms	111,451	100.0	155,670	100.0	51,114	100.0	57,427	100.0

FINANCIAL INFORMATION

Our total revenue of the sales and distribution of hotel rooms from travel agents increased by approximately HK\$24.7 million, or 54.2%, from approximately HK\$45.6 million for FY2017 to approximately HK\$70.3 million for FY2018. Our total revenue of the sales and distribution of hotel rooms from direct customers increased by approximately HK\$9.5 million, or 15.0%, from approximately HK\$65.1 million for FY2017 to approximately HK\$74.6 million for FY2018. The net increase was in line with our revenue growth from the sales and distribution of hotel rooms.

Our total revenue of the sales and distribution of hotel rooms from travel agents increased by approximately HK\$10.7 million, or 48.4%, from approximately HK\$22.1 million for 4M2018 to approximately HK\$32.8 million for 4M2019. Our total revenue of the sales and distribution of hotel rooms from direct customers decreased by approximately HK\$9.1 million, or 32.4%, from approximately HK\$28.1 million for 4M2018 to approximately HK\$19.0 million for 4M2019. The net increase was in line with our revenue growth from the sales and distribution of hotel rooms.

Sales and provision of air tickets and other ancillary travel-related products and services

Our revenue generated from the sales and provision of air tickets and other ancillary travel-related products and services mainly represented the margin income from the sales of entertainment tickets, buffet tickets, transportation tickets, travel insurance and visa applications.

Our margin income generated from the sales and provision of air tickets and other ancillary travel-related products and services remained relatively stable at approximately HK\$1.2 million and HK\$1.4 million for FY2017 and FY2018, respectively, and approximately HK\$0.5 million and HK\$0.4 million for 4M2018 and 4M2019, respectively.

Provision of car rental services

Our revenue generated from the provision of car rental services includes the revenue generated from the provision of limousine services and vehicle leasing in Macau.

The following table sets forth the revenue generated from the provision of car rental services for the years or periods indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2018</u>	<u>4M2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Provision of limousine services	3,938	5,005	1,099	2,983
Provision of vehicle leasing	<u>1,042</u>	<u>3,580</u>	<u>516</u>	<u>1,298</u>
Total revenue generated from the provision of car rental services	<u>4,980</u>	<u>8,585</u>	<u>1,615</u>	<u>4,281</u>

FINANCIAL INFORMATION

Our revenue generated from the provision of car rental services mainly represented (i) revenue generated from provision of limousine services with our chauffeur in Macau customers; and (ii) revenue generated from provision of vehicle leasing, in which our Group leased our vehicles to customers for their use. Our revenue generated from the provision of car rental services increased by approximately HK\$3.6 million, or 72.4%, from approximately HK\$5.0 million for FY2017 to approximately HK\$8.6 million for FY2018 and increased by approximately HK\$2.7 million, or 165.1%, from approximately HK\$1.6 million for 4M2018 to approximately HK\$4.3 million for 4M2019. Such increases were primarily attributable to (i) the commencement of Multi-purpose Car Rental Services in May 2018 under the authorisation granted to us by the MGTO; and (ii) increase in our number of vehicles from FY2017 to FY2018 and from 4M2018 to 4M2019, respectively.

The following table sets forth the breakdown of revenue generated from the provision of car rental services by type of service during the Track Record Period:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Tourism-purpose car rental services	4,980	100.0	3,185	37.1	1,615	100.0	637	14.9
Multi-purpose Car Rental Services	—	—	5,400	62.9	—	—	3,644	85.1
Total revenue generated from the provision of car rental services	<u>4,980</u>	<u>100.0</u>	<u>8,585</u>	<u>100.0</u>	<u>1,615</u>	<u>100.0</u>	<u>4,281</u>	<u>100.0</u>

Prior to May 2018, our Group only provided tourism-purpose car rental services under the travel agent licence. After obtaining the authorisation granted by the MGTO in November 2017, our Group commenced to provide Multi-purpose Car Rental Services in May 2018. According to the Ipsos Report, as at 30 June 2019, four companies were permitted to provide Multi-purpose Car Rental Services as compared to 227 companies permitted to provide tourism-purpose car rental services in Macau.

As at 31 December 2017, 2018 and 30 April 2019, our Group had three, nine and nine coaches, respectively, of which mostly were under long-term leases to corporate customers for providing tourism-purpose car rental services, and had a lower rental fee as compared to the retail customers based on an hourly rate under our Multi-purpose Car Rental Services.

As such, our Directors are of the view that our Group would be able to achieve a higher growth through the provision of Multi-purpose Car Rental Services. As a result, since the commencement of Multi-purpose Car Rental Services, our Group focused our resources and shifted more business, in particular retail business for tourism purpose, to Multi-purpose Car Rental Services, pursuant to which there is no specific restriction on the usage of the vehicles, so that our Group has more flexibility to provide the car rental services to our customers. Thus, our revenue generated from the provision of tourism-purpose car rental services gradually decreased throughout the Track Record Period.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales comprised (i) cost of hotel rooms; (ii) distribution service fees; and (iii) cost of car rental services. The following table sets forth a breakdown of our costs of sales for the years or periods indicated:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Cost of hotel rooms	82,235	90.5	120,590	92.1	37,978	92.3	44,884	92.3
Distribution service fees	5,095	5.6	4,805	3.7	2,160	5.3	1,042	2.2
Cost of car rental services	3,622	4.0	5,685	4.3	1,029	2.5	2,709	5.6
	90,952	100.1	131,080	100.1	41,167	100.1	48,635	100.1
Discount received	(104)	(0.1)	(106)	(0.1)	(38)	(0.1)	(27)	(0.1)
Total cost of sales	90,848	100.0	130,974	100.0	41,129	100.0	48,608	100.0

Our cost of sales amounted to approximately HK\$90.8 million, HK\$131.0 million, HK\$41.1 million and HK\$48.6 million for FY2017, FY2018, 4M2018 and 4M2019, respectively, representing approximately 77.2%, 79.1%, 77.2% and 78.2% of our revenue for the respective years/periods. Our revenue increased by approximately HK\$48.1 million from approximately HK\$117.6 million for FY2017 to approximately HK\$165.7 million for FY2018 and approximately HK\$8.9 million from approximately HK\$53.3 million for 4M2018 to approximately HK\$62.2 million for 4M2019, representing an increase of approximately 40.8% and 16.7%, respectively, of which the sales and distribution of hotel rooms was the main driver which accounted for an increase of approximately HK\$44.2 million from FY2017 to FY2018 and an increase of approximately HK\$6.3 million from 4M2018 to 4M2019.

Our cost of hotel rooms represented the hotel rooms rate payable by our Group to hotel operators for those hotel rooms that we secured. Such cost increased by approximately HK\$38.4 million, or 46.6%, from approximately HK\$82.2 million for FY2017 to approximately HK\$120.6 million for FY2018 and increased by approximately HK\$6.9 million, or 18.2%, from approximately HK\$38.0 million for 4M2018 to approximately HK\$44.9 million for 4M2019. The increases were mainly due to (i) the increase in number of hotel rooms we sold and distributed; and (ii) the increase in average rates of the hotel rooms we were charged by hotel operators for the hotel rooms we sold and distributed during FY2018 as compared to FY2017.

Our distribution service fees represented the distribution fees paid to the Selected Partners in respect of the profit shared, net of loss shared, by the Selected Partners for the sales and distribution of hotel rooms of L'Arc Hotel Macau through the Selected Partners under the Distribution Agreements. For details, please refer to the paragraph headed "Business — Sales and marketing — Sales and distribution channels — Profit and loss sharing arrangement — Loss sharing by the Selected Partners under the Distribution Agreements" in this prospectus. Such cost decreased slightly from approximately HK\$5.1 million for FY2017 to approximately HK\$4.8 million for FY2018 mainly

FINANCIAL INFORMATION

attributable to the decrease in number of hotel rooms of L'Arc Hotel Macau sold and distributed through Customer A, being offset by an increase in the average hotel room rates sold and distributed through Customer A under the Distribution Agreements. The decrease in the number of hotel rooms of L'Arc Hotel Macau sold and distributed through Customer A was mainly due to, from time to time, our strategic reallocation of hotel rooms sold and distributed to and through other Selected Partners and customers according to the changing market environment in order to diversify our customer base and to maximise our profitability. Our distribution service fees further decreased from approximately HK\$2.2 million for 4M2018 to approximately HK\$1.0 million for 4M2019 mainly attributable to the decrease in revenue generated from the sales and distribution of hotel rooms under the Distribution Agreements.

Our cost of car rental services mainly represented cost of chauffeurs, employees benefits to drivers and vehicle depreciation. Our cost of car rental services increased by approximately HK\$2.1 million, or 57.0%, from approximately HK\$3.6 million for FY2017 to HK\$5.7 million for FY2018 and increased by approximately HK\$1.8 million, or 163.3%, from approximately HK\$0.9 million for 4M2018 to HK\$2.7 million for 4M2019. The increase was generally in line with our revenue growth from the provision of car rental services during the respective year/period.

Gross profit and gross profit margin

The following table sets forth the breakdown of our revenue, gross profit and gross profit margins by customer types during the Track Record Period:

	FY2017			FY2018			4M2018			4M2019		
	Gross		Gross	Gross		Gross	Gross		Gross	Gross		Gross
	Revenue	Profit	margin	Revenue	Profit	margin	Revenue	Profit	margin	Revenue	Profit	margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
							(unaudited)	(unaudited)	(unaudited)			
Travel agents												
- Selected												
Partners	45,576	9,301	20.4	63,736	11,016	17.3	18,968	2,601	13.7	31,582	5,676	18.0
- Other travel												
agents	3,124	991	31.7	5,983	2,320	38.8	2,816	1,220	43.3	1,518	739	48.7
- Online travel												
agents												
platforms	35	22	62.9	3,905	1,133	29.0	1,281	418	32.6	867	200	23.1
Other corporate												
- Selected												
Partners	—	—	0.0	9,899	1,947	19.7	—	—	0.0	6,465	2,000	30.9
- Others	3,172	2,180	68.7	6,813	3,235	47.5	1,910	1,330	69.6	2,575	1,400	54.4
Direct customers	65,721	14,182	21.6	75,326	14,931	19.8	28,290	6,529	23.1	19,150	3,507	18.3
Total	117,628	26,676	22.7	165,662	34,582	20.8	53,265	12,098	22.7	62,157	13,522	21.8

FINANCIAL INFORMATION

The following table sets forth the breakdown of our revenue, gross profit and gross profit margins by sales channels during the Track Record Period:

	FY2017			FY2018			4M2018			4M2019		
	Gross Revenue	Gross Profit	Gross profit margin	Gross Revenue	Gross Profit	Gross profit margin	Gross Revenue	Gross Profit	Gross profit margin	Gross Revenue	Gross Profit	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000 (unaudited)	HK\$'000 (unaudited)	% (unaudited)	HK\$'000	HK\$'000	%
Selected Partners	102,803	21,254	20.7	136,876	24,172	17.7	43,255	7,639	17.7	52,956	10,110	19.1
Travel agents (other than Selected Partners)	3,124	991	31.7	5,983	2,320	38.8	2,816	1,220	43.3	1,518	739	48.7
Third-party online travel agent platforms (Note)	35	22	62.9	3,905	1,133	29.0	1,281	418	32.6	867	200	23.1
Direct sales to corporate customers (Note)	3,172	2,180	68.7	6,813	3,235	47.5	1,910	1,330	69.6	2,575	1,400	54.4
Direct sales through our service points	8,494	2,229	26.2	12,085	3,722	30.8	4,003	1,491	37.2	4,241	1,073	25.3
Total	117,628	26,676	22.7	165,662	34,582	20.8	53,265	12,098	22.7	62,157	13,522	21.8

Note: The decrease in gross profit margin of third-party online travel agent platforms and direct sales to corporate customers was mainly because a majority of the revenue generated from online travel agent platforms and direct sales to corporate customers for FY2017 was attributable to travel-related products which was recognised on net basis and 100% gross profit margin was recognised. During FY2018, there was a substantial increase in sales of hotel accommodations through online platform and substantial increase in sales of hotel accommodations and limousine services through direct sales to corporate customers under which the revenue was recognised on gross basis.

FINANCIAL INFORMATION

The following table sets forth our gross profit and gross profit margin by business unit for the years or periods indicated:

	FY2017		FY2018		4M2018		4M2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)(unaudited)							
Sales and distribution of hotel rooms	24,121	21.6	30,275	19.4	10,976	21.5	11,501	20.0
Provision of car rental services	1,358	27.3	2,900	33.8	586	36.3	1,572	36.7
Sales and provision of air tickets and other ancillary travel-related products and services	1,197	100.0	1,407	100.0	536	100.0	449	100.0
	26,676	22.7	34,582	20.8	12,098	22.7	13,522	21.8
Discount received	104	0.1	106	0.1	38	0.1	27	0.0
Total	26,780	22.8	34,688	20.9	12,136	22.8	13,549	21.8

Our overall gross profit amounted to approximately HK\$26.8 million and HK\$34.7 million for FY2017 and FY2018, respectively. Our overall gross profit increased for FY2018 as compared to FY2017, which was mainly attributable to the increase in gross profit of the sales and distribution of hotel rooms. Our overall gross profit amounted to approximately HK\$12.1 million and HK\$13.5 million for 4M2018 and 4M2019, respectively. Our overall gross profit increased for 4M2019 as compared to 4M2018, which was mainly attributable to the increases in gross profit of the provision of car rental services and sales and distribution of hotel rooms, offset by a decrease in gross profit of the sales and provision of air tickets and other ancillary travel-related products and services.

Our overall gross profit margin decreased from approximately 22.8% for FY2017 to approximately 20.9% for FY2018. Such decrease was mainly due to the decrease in gross profit margin for the sales and distribution of hotel rooms from FY2017 to FY2018, offset by the increase in gross profit margin from the provision of car rental services. Our overall gross profit margin decreased from approximately 22.8% for 4M2018 to approximately 21.8% for 4M2019. Such decrease was mainly due to the decrease in gross profit margin for the sales and distribution of hotel rooms from 4M2018 to 4M2019, offset by the increase in gross profit margin for provision of car rental services.

FINANCIAL INFORMATION

Our gross profit attributable to the sales and distribution of hotel rooms increased by approximately HK\$6.2 million, or 25.5%, from approximately HK\$24.1 million for FY2017 to approximately HK\$30.3 million for FY2018. The increase was mainly attributable to the increase in transaction volume. Our gross profit margin for the sales and distribution of hotel rooms decreased from approximately 21.6% for FY2017 to approximately 19.4% for FY2018. Such decrease was mainly due to the increase in average cost of hotel rooms of L’Arc Hotel Macau during FY2018. Our gross profit attributable to the sales and distribution of hotel rooms increased by approximately HK\$0.5 million, or 4.8%, from approximately HK\$11.0 million for 4M2018 to approximately HK\$11.5 million for 4M2019. The increase was mainly attributable to the increase in transaction volume. Our gross profit margin for the sales and distribution of hotel rooms business decreased from approximately 21.5% for 4M2018 to approximately 20.0% for 4M2019. Such decrease was mainly due to the increase in average cost of hotel rooms of L’Arc Hotel Macau during 4M2019. For illustrative purpose only, the gross profit margin for the sales and distribution of hotel rooms based on gross proceeds was approximately 19.2%, 18.2%, 20.0% and 19.1% for FY2017, FY2018, 4M2018 and 4M2019, respectively.

Our gross profit attributable to the provision of car rental services increased by approximately HK\$1.5 million, or 113.5%, from approximately HK\$1.4 million for FY2017 to approximately HK\$2.9 million for FY2018. The increase was mainly attributable to the increase in number of our vehicles. Our gross profit margin for the provision of car rental services increased from approximately 27.3% for FY2017 to approximately 33.8% for FY2018, which was mainly due to the acquisition of our vehicles during FY2018 so that certain fixed costs incurred have been compensated. Our gross profit attributable to the provision of car rental services increased by approximately HK\$1.0 million, or 168.3%, from approximately HK\$0.6 million for 4M2018 to approximately HK\$1.6 million for 4M2019. The increase was mainly attributable to the increase in number of our vehicles. Our gross profit margin for the provision of car rental services remained relatively stable at approximately 36.3% for 4M2018 and approximately 36.7% for 4M2019.

FINANCIAL INFORMATION

Other gain and income

Our other gain and income represented government grants, interest income and sundry income, which decreased from approximately HK\$0.2 million for FY2017 to approximately HK\$18,000 for FY2018. The decrease was mainly attributable to the receipt of government grants of approximately HK\$0.1 million during FY2017 while no such grants were received during FY2018. Our other gain and income increased from nil for 4M2018 to approximately HK\$0.4 million for 4M2019. Such increase was mainly attributable to the reversal of impairment losses on trade receivables, amounts due from related companies and amount due from a director. The following table sets forth the breakdown of our other income for the years or periods indicated:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Government grants	142	—	—	—
Interest income	3	9	—	—
Reversal of impairment loss on trade receivables, net of impairment	—	—	—	367
Reversal of impairment loss on amounts due from related companies, net of impairment	—	—	—	4
Reversal of impairment loss on amount due from a director, net of impairment	—	—	—	2
Sundry income	45	9	—	10
Total other gain and income	<u>190</u>	<u>18</u>	<u>—</u>	<u>383</u>

For FY2017, in relation to the economic losses caused by Typhoon Hato to the small and medium enterprises operating in Macau, our Group received (i) a government subsidy of approximately HK\$41,000, which was intended to provide immediate financial support to travel agents; and (ii) an interest-free loan with the proceeds of approximately HK\$0.6 million, of which the amount of approximately HK\$0.1 million was recognised as other income, representing the difference between the proceeds of loan and the fair value of the loan of approximately HK\$0.5 million. For details, please refer to note 31 to the Accountants' Report.

The reversal of impairment loss on trade receivables recognised during 4M2019 represented the difference between the loss allowance on trade receivables as at 31 December 2018 and 30 April 2019.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses amounted to approximately HK\$6.1 million, HK\$10.0 million, HK\$3.0 million and HK\$4.9 million for FY2017, FY2018, 4M2018 and 4M2019, respectively. The following table set forth the breakdown of our administrative expenses of the years or periods indicated:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Employee benefits expenses	3,138	4,624	1,482	2,956
Depreciation expenses	1,093	1,514	417	876
Rental and related expenses	785	1,496	445	51
Office expenses	291	435	376	193
Motor vehicle expenses	152	226	124	79
Professional fees	179	537	31	122
Advertising and promotion expenses	18	333	32	100
Others <i>(Note)</i>	411	840	121	511
Total administrative expenses	<u>6,067</u>	<u>10,005</u>	<u>3,028</u>	<u>4,888</u>

Note: Others mainly included entertainment expenses, local travel expenses and insurance.

Our depreciation expenses mainly included the depreciation of our right-of-use assets (in respect of 4M2019 only, following the adoption of HKFRS 16 on 1 January 2019), leasehold improvements, furniture, fixtures and equipment and the motor vehicles. For details of the depreciation policy of the property, plant and equipment and the right-of-use assets, please refer to note 4 to the Accountants' Report.

Our employee benefits expenses included salaries, wages and welfare expenses of our staff and directors.

During the Track Record Period, rental and related expenses mainly represented the rental of our offices in Macau and Zhuhai, the PRC, service points and carpark spaces. For details, please refer to the paragraph headed "Business — Properties — Leased properties" in this prospectus.

Motor vehicles expenses mainly comprised tunnel fee, diesel fuel charge and repair and maintenance expenses of our motor vehicles for internal use.

Professional fees mainly comprised accounting, auditor's and other professional fees.

Office expenses mainly comprised computer expenses, office supplies and telecommunication expenses. Advertising and promotion expenses mainly comprised of production of promotion video clips and vouchers to travellers.

FINANCIAL INFORMATION

Our administrative expenses increased by approximately HK\$3.9 million, or approximately 64.9%, from approximately HK\$6.1 million for FY2017 to approximately HK\$10.0 million for FY2018. The increase was mainly attributable to (i) the increase in depreciation expenses arising from our existing motor vehicles; (ii) the increase in employee benefits expenses as a result of increase in headcount; and (iii) the increase in rental and related expenses due to the new leases of carparking space to accommodate the increased number of our vehicles.

Our administrative expenses increased by approximately HK\$1.9 million, or approximately 61.4%, from approximately HK\$3.0 million for 4M2018 to approximately HK\$4.9 million for 4M2019. Such increase was mainly attributable to (i) the increase in employee benefits expenses as a result of increase in headcount; and (ii) the increase in depreciation expenses arising from our right-of-use assets following the adoption of HKFRS 16, offset by the decrease in rental and related expenses due to the recognition of leases. Our employee benefits expenses increased by approximately HK\$1.5 million, or approximately 99.5%, from approximately HK\$1.5 million for 4M2018 to approximately HK\$3.0 million for 4M2019. The increase was mainly attributable to the employment of four new management who joined our Group who were responsible for human resources, business development and finance in second half of FY2018 and early 2019 and eight new finance and administrative staff who joined our Group since May 2018 in preparation of the Listing.

Income tax expenses

Our net income tax expense mainly consists of Macau Complementary Tax and PRC Enterprise Income Tax expenses. The following table sets forth the components of our income tax expenses for the years or periods indicated:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Macau Complementary Tax	2,520	2,430	1,194	558
PRC Enterprise Income Tax	145	163	—	—
	2,665	2,593	1,194	558
Deferred tax (credit)/charge	—	(6)	—	45
Total income tax expenses	<u>2,665</u>	<u>2,587</u>	<u>1,194</u>	<u>603</u>

Our income tax expenses amounted to approximately HK\$2.7 million and HK\$2.6 million for FY2017 and FY2018, respectively, and our effective tax rate was approximately 12.8% and 13.7%, respectively, which approximated to the Macau Complementary Tax rate of 12.0%. The decrease in our income tax expenses from FY2017 to FY2018 was in line with the decreased in our profit before tax. For 4M2018 and 4M2019, our income tax expenses amounted to approximately HK\$1.2 million and HK\$0.6 million, respectively, and our effective tax rate was approximately 13.1% and 17.3% for the corresponding periods. The increase in effective tax rate for 4M2019 was mainly due to the increase in losses attributable from loss-making subsidiaries of our Group, as reflected by the increase

FINANCIAL INFORMATION

in the estimated tax losses not recognised as disclosed in note 18 to the Accountants' Report. The decrease in the income tax expenses was generally in line with the decrease in our profit before tax from 4M2018 to 4M2019 due to the Listing expenses of approximately HK\$5.5 million incurred during 4M2019.

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

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity and working capital requirements primarily relate to our operating costs and payments to suppliers. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, banking facilities and net proceeds from the Share Offer.

Cash flows

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

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash (used in)/generated from operating activities	(1,028)	23,015	11,759	2,133
Net cash used in investing activities	(1,878)	(18,911)	(8,043)	(2,232)
Net cash generated from financing activities	583	844	—	3,789
Net (decrease)/increase in cash and cash equivalents	(2,323)	4,948	3,716	3,690
Cash and cash equivalents at the beginning of the year/period	8,035	5,898	5,898	10,553
Effect of foreign exchange rate changes	186	(293)	39	48
Cash and cash equivalents at the end of the year/period	<u>5,898</u>	<u>10,553</u>	<u>9,653</u>	<u>14,291</u>

Net cash (used in)/generated from operating activities

Net cash used in operating activities for FY2017 was approximately HK\$1.0 million. Operating cash flows before movements in working capital were approximately HK\$22.4 million, consisting of profit before tax in amount of approximately HK\$20.9 million adjusted by depreciation of property, plant and equipment of approximately HK\$1.6 million and government grant of approximately HK\$0.1 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$22.0 million, consisting primarily of an increase in trade receivables, deposits and prepayments in the amount of approximately HK\$11.9 million mainly due to the revenue growth in

FINANCIAL INFORMATION

sales and distribution of hotel rooms during FY2017, an increase in amounts due from related companies of approximately HK\$2.2 million, an increase in amount due from a director of approximately HK\$8.0 million, increase in trade and other payables of approximately HK\$2.2 million and decrease in amount due to a director of approximately HK\$2.2 million. For the associated risk, please refer to the paragraph headed “Risk factors — We recorded net cash used in operating activities for FY2017. We cannot assure you that we will not experience any net cash used in operating activities again in the future” in this prospectus.

Net cash generated from operating activities for FY2018 was approximately HK\$23.0 million. Operating cash flows before movements in working capital were approximately HK\$22.7 million, primarily reflecting profit before tax in amount of approximately HK\$18.9 million, mainly adjusted by depreciation of property, plant and equipment of approximately HK\$3.7 million. Changes in working capital contributed a cash inflow in the amount of approximately HK\$2.6 million, primarily of an increase in trade receivables, deposits and prepayments in the amount of approximately HK\$2.5 million, an increase in amounts due from related companies of approximately HK\$3.5 million, a decrease in amount due from a director of approximately HK\$2.9 million, increase in trade and other payables of approximately HK\$2.7 million, increase in amount due to a related company of HK\$2.8 million, and increase in amount due to a director of approximately HK\$0.1 million.

Net cash generated from operating activities for 4M2019 was approximately HK\$2.1 million. Operating cash flows before movements in working capital were approximately HK\$5.3 million, primarily reflecting profit before tax in amount of approximately HK\$3.5 million, mainly adjusted by depreciation of property, plant and equipment of approximately HK\$1.4 million and depreciation of right-of-use assets of approximately HK\$0.7 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$3.0 million, consisting primarily of an increase in trade receivables, deposits and prepayments in the amount of approximately HK\$8.1 million mainly due to the revenue growth in sales and distribution of hotel rooms during 4M2019 and an increase in trade and other payables of approximately HK\$5.1 million.

Our Group recorded net cash used in and generated from operating activities of approximately HK\$1.0 million and HK\$23.0 million for FY2017 and FY2018, respectively. The increase was principally attributable to the smaller amount of increase in trade and other receivables, increase in amount due to a related company and decrease in amount due to a director during FY2018.

Our Group recorded net cash generated from operating activities of approximately HK\$11.8 million and HK\$2.1 million for 4M2018 and 4M2019, respectively. The lower amount of our net cash generated from operating activities for 4M2019 as compared to 4M2018 was primarily attributable to the lower profit before income tax for 4M2019 as compared to 4M2018 due to the Listing expenses of approximately HK\$5.5 million incurred during 4M2019 and the greater amount of increase in trade and other receivables during 4M2019.

FINANCIAL INFORMATION

Net cash used in investing activities

Net cash used in investing activities for FY2017 was approximately HK\$1.9 million, primarily reflecting purchase of property, plant and equipment of approximately HK\$4.6 million and placement of bank deposits with original maturity over three months of approximately HK\$0.3 million, offset by the deposits received for disposal of property, plant and equipment of approximately HK\$3.0 million.

Net cash used in investing activities for FY2018 was approximately HK\$18.9 million, primarily reflecting purchase of property, plant and equipment of approximately HK\$18.2 million and placement of bank deposits with original maturity over three months of approximately HK\$2.3 million, offset by the proceed from disposal of property, plant and equipment of approximately HK\$1.5 million.

Net cash used in investing activities for 4M2019 was approximately HK\$2.2 million, primarily reflecting placement of bank deposits with original maturity over three months of approximately HK\$2.6 million and purchase of property, plant and equipment of approximately HK\$0.6 million, offset by the proceed from disposal of property, plant and equipment of approximately HK\$1.0 million.

Net cash generated from financing activities

Net cash generated from financing activities for FY2017 was approximately HK\$0.6 million, representing the proceed of the government loan in relation to the economic losses caused by Typhoon Hato to the small and medium enterprises operating in Macau.

Net cash generated from financing activities for FY2018 was approximately HK\$0.8 million, primarily reflecting repayment of the said unsecured loan of approximately HK\$0.6 million, offset by capital injection into subsidiaries of approximately HK\$1.4 million by Mr. Choi.

Net cash generated from financing activities for 4M2019 was approximately HK\$3.8 million, primarily reflecting the proceed of the secured bank borrowing of HK\$4.5 million, offset by the payment for lease liabilities of approximately HK\$0.5 million, the repayment of aforesaid bank borrowing of approximately HK\$0.1 million and the interest paid of approximately HK\$49,000 million.

Working capital

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

- our cash and cash equivalents on hand amounted to approximately HK\$5.9 million, HK\$10.6 million and HK\$14.3 million as at 31 December 2017 and 2018 and 30 April 2019, respectively;
- the unutilised banking facilities amount of approximately HK\$3.6 million as at 31 July 2019, being the indebtedness date; and

FINANCIAL INFORMATION

- the estimated net proceeds from the Share Offer of approximately HK\$37.0 million (based on the mid-point of the indicative Offer Price range of HK\$0.22 per Offer Share and 300,000,000 Offer Shares) to be received by our Company.

Our Directors are of the opinion that, after taking into account our cash and cash equivalents on hand, the available banking facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

NET CURRENT ASSETS

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

	As at		As at	As at
	31 December	2018	30 April	31 July
	2017		2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current assets				
Trade receivables, deposits and prepayments	19,482	21,351	29,661	27,760
Amounts due from related companies	7,572	10,816	—	—
Amount due from a related party	15	—	—	—
Amount due from a director	6,254	2,849	1,945	1,884
Bank deposits with original maturity over three months	253	2,511	5,154	6,129
Cash and cash equivalents	5,898	10,553	14,291	14,835
	<u>39,474</u>	<u>48,080</u>	<u>51,051</u>	<u>50,608</u>
Current liabilities				
Trade and other payables	13,891	14,589	19,632	14,342
Lease liabilities	—	—	1,454	2,486
Amount due to a related company	—	2,844	—	—
Amount due to a director	—	147	147	147
Tax payables	2,700	2,968	3,372	4,074
Borrowings	484	—	1,440	1,457
	<u>17,075</u>	<u>20,548</u>	<u>26,045</u>	<u>22,506</u>
Net current assets	<u>22,399</u>	<u>27,532</u>	<u>25,006</u>	<u>28,102</u>

FINANCIAL INFORMATION

We had net current assets of approximately HK\$22.4 million as at 31 December 2017 and increased by approximately HK\$5.1 million to approximately HK\$27.5 million as at 31 December 2018. Such increase was primarily due to (i) increase in trade receivables, deposits and prepayments of approximately HK\$1.9 million; (ii) increase in amounts due from related companies of approximately HK\$3.2 million; (iii) increase in bank deposits with original maturity over three months of approximately HK\$2.3 million; and (iv) increase in cash and cash equivalents of approximately HK\$4.7 million, offset by the decrease in amount due from a director of approximately HK\$3.4 million.

Our net current assets slightly decreased from approximately HK\$27.5 million as at 31 December 2018 to approximately HK\$25.0 million as at 30 April 2019, which was primarily the result of (i) decrease in amounts due from related companies of approximately HK\$10.8 million; (ii) increase in trade and other payables of approximately HK\$5.0 million; (iii) increase in lease liabilities of approximately HK\$1.5 million; and (iv) increase in borrowings of approximately HK\$1.4 million, offset by (i) increase in trade receivables, deposits and prepayments of approximately HK\$8.3 million; (ii) increase in cash and cash equivalents of approximately HK\$3.7 million; and (iii) increase in bank deposits with original maturity over three months of approximately HK\$2.6 million

Our net current assets increased from approximately HK\$25.0 million as at 30 April 2019 to approximately HK\$28.1 million as at 31 July 2019 based on our unaudited consolidated management accounts. Such increase was mainly attributable to (i) the decrease in trade and other payables of approximately HK\$5.3 million; and (ii) increase in bank deposits with original maturity over three months of approximately HK\$1.0 million; offset by (i) decrease in trade receivables, deposits and prepayments of approximately HK\$1.9 million; and (ii) increase in lease liabilities of approximately HK\$1.0 million.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment comprised leasehold improvements, furniture, fixtures and equipment and motor vehicles. The carrying amounts of our property, plant and equipment amounted to approximately HK\$6.7 million, HK\$17.6 million and HK\$15.7 million as at 31 December 2017 and 2018 and 30 April 2019, respectively. The increase in the carrying amount of our property, plant and equipment as at 31 December 2018 as compared with that as at 31 December 2017 was primarily due to the acquisition of the vehicles for our car rental services business of approximately HK\$5.0 million and HK\$17.5 million during FY2017 and FY2018, respectively, offsetting the disposal of motor vehicles of approximately HK\$5.1 million during FY2018 and the depreciation charged on motor vehicles of approximately HK\$1.4 million and HK\$3.2 million for FY2017 and FY2018, respectively. The decrease in the carrying amount of property, plant and equipment as at 30 April 2019 as compared with that 31 December 2018 was primarily due to the disposal of motor vehicles.

FINANCIAL INFORMATION

Trade receivables, deposits and prepayments

Our trade receivables, deposits and prepayments increased slightly by approximately HK\$2.0 million from approximately HK\$20.1 million as at 31 December 2017 to approximately HK\$22.1 million as at 31 December 2018, representing an increase of approximately 10.0%, which was mainly due to the increase in deposits paid and prepayments. Our trade receivables, deposits and prepayments further increased by approximately HK\$8.4 million from approximately HK\$22.1 million as at 31 December 2018 to approximately HK\$30.5 million as at 30 April 2019, representing an increase of approximately 37.5%, which was mainly due to increase in net trade receivables.

The following tables set forth the breakdown of our trade receivables, deposits and prepayments as at the dates indicated:

	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net	17,788	17,390	24,251
Deposits paid	1,463	2,200	2,163
Prepayments	878	2,557	4,043
 Total trade receivables, deposits and prepayments	 <u>20,129</u>	 <u>22,147</u>	 <u>30,457</u>

Our trade receivables mainly represent the receivables from our customers for our travel business and car rental services business. Our trade receivables remained relatively stable at approximately HK\$17.8 million and HK\$17.4 million as at 31 December 2017 and 2018, respectively. Our trade receivables increased by approximately HK\$6.9 million, or 39.5%, from approximately HK\$17.4 million as at 31 December 2018 to approximately HK\$24.3 million as at 30 April 2019, which was mainly attributable to (i) the increase of receivables from 廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.*) of approximately HK\$7.0 million due to the increase in transaction volume with it. We normally granted credit terms of approximately 30 days to our major customers. We provided allowance of impairment of approximately HK\$0.5 million and HK\$94,000 on our trade receivables as at 31 December 2018 and 30 April 2019, respectively, based on the assessment of recoverability.

FINANCIAL INFORMATION

The following table set forth our trade receivables turnover days for the years or period indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2019</u>
Trade receivable turnover days <i>(Note)</i>	38.3	38.8	40.2

Note: Trade receivable turnover days are calculated as the average of the opening and closing trade receivables divided by revenue for the relevant financial year/period and multiplied by the number of days for the same financial year/period, (i.e. being 365 days for FY2017 and FY2018 and 120 days for 4M2019).

Our trade receivable turnover days for FY2017 and FY2018 were remained relatively stable at approximately 38.3 days and 38.8 days respectively, which was in line with our credit terms granted to our customers. Our trade receivable turnover days increased from approximately 38.8 days for FY2018 to approximately 40.2 days for 4M2019, mainly due to the higher trade receivables as at 30 April 2019.

The following is an aging analysis of our trade receivables netting off the allowance, presented based on invoice dates, at the end of each indicated years or period:

	As at 31 December		As at 30 April
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
0-30 days	13,106	13,691	15,905
31-60 days	4,445	3,345	4,803
61-90 days	153	—	3,523
Over 90 days	84	354	20
Total trade receivables, net	17,788	17,390	24,251

The aging analysis of these trade receivables netting off the allowance for impairment, based on due dates is as follows:

	As at 31 December		As at 30 April
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	13,106	13,381	20,587
1-30 days past due	4,445	310	3,307
31-60 days past due	153	3,345	344
61-90 days past due	6	—	13
Over 90 days past due	78	354	—
Total trade receivables, net	17,788	17,390	24,251

FINANCIAL INFORMATION

As at 31 December 2017 and 2018 and 30 April 2019, trade receivables of approximately HK\$13.1 million, HK\$13.4 million and HK\$20.6 million were neither past due nor impaired, which represented approximately 73.7%, 76.9% and 84.9% of our total trade receivables as at 31 December 2017 and 2018 and 30 April 2019, respectively. Out of the past due trade receivables as at 31 December 2017 and 2018 and 30 April 2019, approximately HK\$4.6 million, HK\$3.7 million and HK\$3.7 million were past due within 60 days, which represented approximately 98.2%, 91.2% and 99.6% of the total past due trade receivables as at 31 December 2017 and 2018 and 30 April 2019, respectively. Our Directors believe that such overdue amounts are considered recoverable as there has not been any significant adverse change in credit quality of the customers. As at the Latest Practicable Date, all of our trade receivables as at 30 April 2019 were settled.

Our deposits paid amounted to approximately HK\$1.5 million, HK\$2.2 million and HK\$2.2 million as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly included rental deposits, vehicle licence deposits and other deposits paid to our suppliers or vendors for our operations.

Our prepayments amounted to approximately HK\$0.9 million, HK\$2.6 million and HK\$4.0 million as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly included (i) prepayments to our hotel operators suppliers and airline; and (ii) for prepayments as at 30 April 2019, the prepaid Listing expenses of HK\$3.2 million.

Bank deposits with original maturity over three months

As at 31 December 2017 and 2018 and 30 April 2019, we had bank deposits with original maturity over three months of approximately HK\$0.3 million, HK\$2.5 million and HK\$5.2 million, respectively. The bank deposits with original maturity over three months carried interest at 0.6%, range from 1.1% to 1.5%, and range from 1.1% to 2.0% per annum as at 31 December 2017 and 2018 and 30 April 2019, respectively.

Such amounts were placed in a bank to secure general banking facilities in respect of guarantees issued to the suppliers of our Group as general trade deposits and to the government of Macau to obtain travel agent licence in Macau.

FINANCIAL INFORMATION

Trade and other payables

Our trade and other payables primarily represented trade payables, accruals and other payables, deposits received and contract liabilities, which increased from approximately HK\$13.9 million as at 31 December 2017 to approximately HK\$14.6 million as at 31 December 2018, which was mainly attributable to the increase in trade payables of approximately HK\$0.9 million and the increase in accruals and other payables of approximately HK\$2.5 million, offset by the decrease in deposits received of approximately HK\$2.9 million. Our trade and other payables further increased from approximately HK\$14.6 million as at 31 December 2018 to approximately HK\$19.6 million as at 30 April 2019, which was mainly attributable to the increase in accruals and other payables of approximately HK\$4.9 million. The following table set forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,143	11,053	11,430
Accruals and other payables	701	3,211	8,071
Deposits received	3,020	126	126
Contract liabilities	27	199	5
Total trade and other payables	<u>13,891</u>	<u>14,589</u>	<u>19,632</u>

Our trade payables mainly represented the payables to our suppliers and vendors, which mainly included hotel operators and other travel agents which we sourced hotel rooms or other travel products from. The amount of our trade payables increased slightly by approximately HK\$0.9 million, representing an increase of approximately 9.0%, from approximately HK\$10.1 million as at 31 December 2017 to approximately HK\$11.1 million as at 31 December 2018, which was in line with our increase in revenue and cost of sales during FY2018. Our trade payables remained stable at approximately HK\$11.1 million as at 31 December 2018 and approximately HK\$11.4 million as at 30 April 2019. The average credit period granted by major suppliers is 30 days.

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

	FY2017	FY2018	4M2019
Trade payable turnover days <i>(Note)</i>	37.2	29.5	27.8

Note: Trade payable turnover days are calculated as the average of the opening and closing trade payables divided by cost of sales for the relevant financial year/period and multiplied by the number of days for the same financial year/period, (i.e. being 365 days for FY2017 and FY2018 and 120 days for 4M2019).

FINANCIAL INFORMATION

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

	As at 31 December		As at 30 April
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
0-30 days	8,819	11,002	11,375
31-60 days	971	2	53
61-90 days	102	3	2
Over 90 days	251	46	—
Total trade payables	10,143	11,053	11,430

As at the Latest Practicable Date, all of our trade payables as at 30 April 2019 were settled. Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Our accruals and other payables amounted to approximately HK\$0.7 million, HK\$3.2 million and HK\$8.1 million as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly represented (i) salaries payables; (ii) motor vehicle expenses; (iii) audit and professional fees; and (iv) accrued Listing expenses. The increase in our accruals and other payables as at 31 December 2018 as compared with that as at 31 December 2017 was mainly due to (i) the accrued Listing expenses of approximately HK\$1.8 million as at 31 December 2018 which no such accrual was made as at 31 December 2017; and (ii) the increase in salaries payables of approximately HK\$0.5 million as at 31 December 2018 as a result of the increase in headcount. The increase of approximately HK\$4.9 million in our accruals and other payables as at 30 April 2019 as compared with that as at 31 December 2018 was mainly due to the increase in accrued Listing expenses of approximately HK\$4.8 million as at 30 April 2019.

Our deposits received amounted to approximately HK\$3.0 million as at 31 December 2017 which mainly represented the deposits received for the purchase of a motor vehicle of approximately HK\$3.0 million by Mrs. Choi. The decrease to approximately HK\$0.1 million as at 31 December 2018 was mainly because such advance payment which was settled for the disposal during FY2018. The amount of our deposit received remained stable at approximately HK\$0.1 million and HK\$0.1 million as at 31 December 2018 and 30 April 2019, respectively.

Our contract liabilities amounted to approximately HK\$27,000, HK\$0.2 million and HK\$5,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly represented respective contract liabilities from the provision of vehicle leasing business.

FINANCIAL INFORMATION

Amounts due from/(to) related parties

The following table set forth a summary of our amounts due from/(to) related parties as at the dates indicated:

	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
	HK\$'000	HK\$'000	HK\$'000
Amounts due from:			
Ying Hai Development Holdings Limited (formerly known as “Ying Hai Group Holdings Limited”)	217	3,405	—
Ying Hai Entertainment Group Limited	6,076	7,411	—
瀛海投資有限公司 (Ying Hai Investment Company Limited*)	567	—	—
Ying Hai Estates Company Limited	594	—	—
瀛海餐飲管理有限公司 (Ying Hai Catering Management Company Limited*)	118	—	—
Mrs. Choi	15	—	—
Mr. Choi	6,254	2,849	1,945
	<u>13,841</u>	<u>13,665</u>	<u>1,945</u>
Amounts due to:			
瀛海投資有限公司 (Ying Hai Investment Company Limited*)	—	2,844	—
Mr. Leong	2	147	147
	<u>2</u>	<u>2,991</u>	<u>147</u>

The amount due from/(to) related parties were non-trade nature, unsecured, interest-free and repayable on demand. The carrying value of these balances approximated their fair values at each reporting date and were denominated in MOP, HKD and RMB. There was no recent history of default.

The amount due from Mr. Choi and amount due to Mr. Leong as at 30 April 2019 will be settled by cash prior to the Listing.

Borrowings

Our borrowings as at 31 December 2017 primarily represented an unsecured interest-free loan received from the government of Macau SAR, which amounted to approximately HK\$0.5 million as at 31 December 2017 and we did not have outstanding borrowing as at 31 December 2018. Our borrowings as at 30 April 2019 primarily represented a secured interest-bearing bank borrowing, which amounted to approximately HK\$4.4 million as at 30 April 2019.

FINANCIAL INFORMATION

The following table sets forth the carrying amount of our borrowings due for repayment as at the dates indicated based on the scheduled repayment dates set out in the loan agreements:

	As at 31 December		As at
	2017	2018	30 April
	HK\$'000	HK\$'000	2019
			HK\$'000
Secured bank borrowing	—	—	4,383
Unsecured loan	484	—	—
Total borrowings	484	—	4,383
Carrying amounts repayable:			
<i>Current portion</i>			
Within one year	—	—	1,440
Carrying amount (shown under current liabilities) that contain repayable on demand clause based on scheduled repayment terms:			
— Within one year	—	—	—
— More than one year but less than five years	272	—	—
— More than five years	212	—	—
	484	—	1,440
<i>Non-current portion</i>			
More than one year but less than five years	—	—	2,943
Total borrowings	484	—	4,383

The carrying amount of the unsecured interest-free loan were denominated in MOP. The effective interest rate of the unsecured loan was approximately 2.2% for FY2017. Such unsecured interest-free loan was guaranteed by Mr. Choi and an employee of our Group and was fully repaid by our Group in October 2018 and we did not have any prevailing borrowing and banking facilities since then during FY2018.

In March 2019, we have obtained a banking facility with a commercial bank for an amount of HK\$4.5 million with repayment term of three years for working capital, including but not limited to the acquisition of vehicles and/or equipment. Such facility was denominated in HK\$ and fully drawn down on 27 March 2019. The bank borrowing is interest-bearing at the Macau Commercial bank prime lending rate minus 1% per annum. As at 30 April 2019, such bank borrowing was (i) guaranteed by our executive Director, Mr. Choi, and such guarantee will be released upon Listing; and (ii) secured

FINANCIAL INFORMATION

by 28 vehicles of our Group with carrying amounts of approximately HK\$11.0 million as at 30 April 2019. The effective interest rate of such secured bank borrowing as at 30 April 2019 was approximately 4.3% and the outstanding amount of the bank borrowing was approximately HK\$4.4 million as at 30 April 2019.

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

STATEMENT OF INDEBTEDNESS

As at 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement, our Group had the following outstanding indebtedness:

	As at 31 December	As at	As at
	2017	30 April	31 July
	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>
<i>Current liabilities:</i>			
Lease liabilities	—	—	1,454
Borrowings	—	—	1,440
Amount due to a related company	—	2,844	—
Amount due to a director	—	147	147
	<u>—</u>	<u>2,991</u>	<u>3,041</u>
	—	2,991	4,090
<i>Non-current liabilities:</i>			
Lease liabilities	—	—	946
Borrowings	—	—	2,943
	<u>—</u>	<u>—</u>	<u>3,889</u>
	—	—	4,204
Total liabilities	<u>—</u>	<u>2,991</u>	<u>6,930</u>
	—	2,991	8,294

FINANCIAL INFORMATION

Banking facilities

As at 31 July 2019, our Group had aggregate banking facilities of approximately HK\$14.2 million, which comprised of (i) banking facilities of approximately HK\$9.7 million in respect of guarantees to be issued by the bank to our suppliers which are mainly hotel operators and to the government of Macau, of which approximately HK\$3.6 million was unutilised; and (ii) banking facility of HK\$4.5 million in respect of bank borrowing for working capital purpose which is interest-bearing at the Macau commercial bank prime lending rate minus 1% per annum, of which has been fully utilised.

The above banking facilities of approximately HK\$9.7 million in respect of guarantees to be issued by the bank were secured by our bank deposits with original maturity over three months of approximately HK\$6.1 million and the remaining banking facility of HK\$4.5 million was (i) guaranteed by our executive Director, Mr. Choi, and such guarantee will be released upon Listing; and (ii) secured by 28 vehicles of our Group with carrying amounts of approximately HK\$10.3 million as at 31 July 2019.

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

Contingent liabilities

As at 31 December 2017 and 2018, 30 April 2019 and 31 July 2019, our Group did not have any significant contingent liabilities.

Material indebtedness change

Our Directors have confirmed that, up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 July 2019, being the latest practicable date for the preparation of the indebtedness statements.

Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, finance leases or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as at 31 July 2019, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors have confirmed that there had not been any material change in the indebtedness, capital commitments and contingent liabilities of our Group since 31 July 2019, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, and up to the Latest Practicable Date.

FINANCIAL INFORMATION

LISTING EXPENSES

The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$29.0 million, based on the mid-point of the indicative Offer Price range of HK\$0.22 per Offer Share and 300,000,000 Offer Shares). Among the estimated total Listing expenses, (i) approximately HK\$8.8 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$20.2 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$5.8 million and HK\$5.5 million have been recognised for FY2018 and 4M2019, respectively, and the balance of approximately HK\$8.9 million is expected to be recognised for the eight months ending 31 December 2019.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2019 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2019 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may not be comparable to the financial performance of our Group in the past.

OPERATING LEASE COMMITMENTS

Our Group as lessor

Our Group leases certain of our motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from three months to five years during the Track Record Period.

Our Group had total future minimum lease receivables under non-cancellable operating leases falling due as at the dates indicated:

	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,412	2,215	1,763
In the second to fifth years, inclusive	<u>3,150</u>	<u>2,490</u>	<u>2,190</u>
	<u>4,562</u>	<u>4,705</u>	<u>3,953</u>

FINANCIAL INFORMATION

Our Group as lessee

Our Group leases a number of premises, carparking spaces and licences under operating lease arrangements. Leases for these premises are negotiated for terms ranging from one to four years. The leases are for various terms and are generally renewable at the end of the lease period at market rate. Our future minimum lease payments under the operating lease as at the dates indicated are set forth below:

	As at 31 December	
	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
No more than one year	612	1,824
Later than one year and no later than five years	<u>575</u>	<u>1,284</u>
	<u>1,187</u>	<u>3,108</u>

Our Group adopted HKFRS 16 on 1 January 2019, and recognised right-of-use assets and lease liabilities. Accordingly, no future minimum lease payments is presented as at 30 April 2019.

CAPITAL EXPENDITURES

Historical capital expenditures

Our capital expenditures during the Track Record Period mainly related to acquisition of vehicles and leasehold improvements and furniture, fixtures and equipment. For FY2017 and FY2018 and 4M2019, our capital expenditures amounted to approximately HK\$5.1 million, HK\$18.2 million and HK\$0.6 million, respectively. We principally funded our capital expenditures through internally generated funds during the Track Record Period.

Planned capital expenditures and capital commitment

Save for the planned usage of net proceeds from the Share Offer as disclosed in the section headed “Future plans and use of proceeds” in this prospectus, our Group has no material planned capital expenditures and capital commitment as at Latest Practicable Date.

PROPERTY INTEREST

As of the Latest Practicable Date, we leased eight properties and 39 car parking spaces in Macau, one property in the PRC and one property in Hong Kong for used as our offices, service points and carparking. For details, please refer to the paragraph headed “Business — Properties” in this prospectus. We did not own any properties during the Track Record Period and up to the Latest Practicable Date.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 29 to the Accountants' Report, our Directors confirm that these transactions were conducted on arm's length basis and on normal commercial terms. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

OFF-BALANCE SHEET TRANSACTIONS

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

SUMMARY OF KEY FINANCIAL RATIOS

The following tables set forth certain of our key financial ratios as at the dates and for the years or period indicated:

	FY2017	FY2018	4M2019
Net profit margin before interest and tax (%) <i>(Note 1)</i>	17.8	11.4	5.7
Net profit margin (%) <i>(Note 2)</i>	15.5	9.8	4.7
Net profit margin (excluding Listing expenses) (%) <i>(Note 3)</i>	15.5	13.3	13.5
Return on equity (%) <i>(Notes 4 and 11)</i>	61.3	35.4	N/A
Return on total assets (%) <i>(Notes 3 and 11)</i>	38.9	24.5	N/A
Interest coverage (times) <i>(Note 4)</i>	10,451.5	1,887.3	73.8
	As at 31 December	As at 30 April	
	2017	2018	2019
Current ratio (times) <i>(Note 7)</i>	2.3	2.3	2.0
Quick ratio (times) <i>(Note 8)</i>	2.3	2.3	2.0
Gearing ratio (%) <i>(Note 9)</i>	1.6	—	16.9
Debt-to-equity ratio (%) <i>(Note 10)</i>	N/A	N/A	N/A

Notes:

- (1) Net profit margin before interest and tax is calculated based on the profit for year/period netting off the interest and tax expense divided by total revenue for the financial year/period multiplied by 100%.
- (2) Net profit margin is calculated based on the profit for the year/period divided by total revenue for the financial year/period and multiplied by 100%.
- (3) Net profit margin (excluding Listing expenses) is calculated based on the profit for the year/period netting off Listing expenses divided by total revenue for the financial year/period multiplied by 100%.

FINANCIAL INFORMATION

- (4) Return on equity is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year divided by equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.
- (5) Return on total assets is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year divided by total assets at the end of the financial year and multiplied by 100%.
- (6) Interest coverage is calculated based on the profit before interest and tax for the financial year/period divided by interest expenses for the financial year/period.
- (7) Current ratio is calculated based on the total current assets at the end of the financial year divided by the total current liabilities at the end of the financial year/period.
- (8) Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
- (9) Gearing ratio is calculated based on total debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%.
- (10) Debt-to-equity ratio is calculated based on net debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Net debt is defined to include all borrowings net of cash and cash equivalents.
- (11) Return on equity and return on total assets for 4M2019 are not comparable to those for FY2017 and FY2018.

Net profit margin before interest and tax and net profit margin

Our net profit margin before interest and tax was approximately 17.8%, 11.4% and 5.7% for FY2017, FY2018 and 4M2019, respectively, and our Group recorded net profit margin of approximately 15.5%, 9.8% and 4.7% for FY2017, FY2018 and 4M2019, respectively. The decrease in our net profit margin before interest and tax and net profit margin for FY2018 and 4M2019 was mainly attributable to the non-recurring Listing expenses of approximately HK\$5.8 million and HK\$5.5 million incurred for FY2018 and 4M2019, respectively. Our net profit margin (excluding Listing expenses) was approximately 15.5%, 13.3% and 13.5% for FY2017, FY2018 and 4M2019, respectively.

Return on equity

Our return on equity were approximately 61.3% and 35.4% as at 31 December 2017 and 31 December 2018, respectively. The decrease in our return on equity was primarily attributable to (i) the decrease in net profit due to the non-recurring Listing expenses; and (ii) the increase in equity as at 31 December 2018 as a result of the increase in retained earnings.

Return on total assets

Our Group had return on total assets of approximately 38.9% and 24.5% for FY2017 and FY2018, respectively. The decrease in our return on total assets during FY2018 was primarily attributable to (i) the decrease in net profit due to the non-recurring Listing expenses; and (ii) the increase in our total assets as at 31 December 2018.

FINANCIAL INFORMATION

Interest coverage

Our interest coverage decreased from approximately 10,451.5 times for FY2017 to approximately 1,887.3 times for FY2018. Such decrease was mainly due to the decrease in the profit before interest and tax for FY2018. Our interest coverage further decreased to approximately 73.8 times for 4M2019. Such decrease was primarily attributable to (i) the decrease in our profit before interest and tax due to the Listing expenses of approximately HK\$5.5 million incurred for 4M2019; and (ii) the increase in our interest expenses due to the interest on lease liabilities and the interest incurred on the secured bank borrowing drawn down by our Group in March 2019.

Current ratio and quick ratio

Our current ratio remained stable at approximately 2.3 times, 2.3 times and 2.0 times as at 31 December 2017 and 2018 and 30 April 2019, respectively.

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

Gearing ratio

Our gearing ratio decreased from approximately 1.6 % as at 31 December 2017 to nil as at 31 December 2018, which was mainly due to our unsecured interest-free loan of approximately HK\$0.5 million has been fully repaid as at 31 December 2018. Our gearing ratio increased from nil as at 31 December 2018 to approximately 16.9% as at 30 April 2019. Such increase was mainly attributable to the combined effect of (i) the increase in our borrowings of approximately HK\$4.4 million; (ii) the increase in our lease liabilities of approximately HK\$2.4 million; and (iii) the decrease in our total equity base of approximately HK\$6.0 million as at 30 April 2019 as compared to 31 December 2018.

Debt-to-equity ratio

Our Group had net cash position as at 31 December 2017 and 2018 and 30 April 2019. Accordingly, debt-to-equity ratio was not applicable to our Group.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT FINANCIAL RISK

Our activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Our overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Please refer to note 5 to the Accountants' Report for further details of the financial risk management.

FINANCIAL INFORMATION

SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

Our revenue was derived from (i) sales and distribution of hotel rooms; (ii) provision of car rental services; and (iii) sales and provision of air tickets and other ancillary travel-related products and services, which amounted approximately HK\$117.6 million, HK\$165.7 million and HK\$62.2 million for FY2017, FY2018 and 4M2019, respectively. Our costs of sales mainly comprised (i) cost of hotel rooms; (ii) costs of provision of limousine services; and (iii) cost of vehicle leasing, which amounted to approximately HK\$90.8 million, HK\$131.0 million and HK\$48.6 million for FY2017, FY2018 and 4M2019, respectively, representing approximately 77.2%, 79.1% and 78.2% of the total revenue for the respective years/period.

The following table sets forth the sensitivity analysis on our revenue and costs of sales, based on their respective average historical fluctuation of approximately 40.8% and 44.2% for FY2017 and FY2018 respectively, and their effects on our profit before tax for each financial year/period during the Track Record Period with all other variables held constant. Because a number of assumptions have been applied, the sensitivity analysis below is for illustrative purpose only.

	Increase/ (decrease) in percentage	Increase/(decrease) in profit before tax		
		FY2017	FY2018	4M2019
		HK\$'000	HK\$'000	HK\$'000
Revenue	40.8%	47,992	67,590	25,360
	(40.8)%	(47,992)	(67,590)	(25,360)
Cost of sales	44.2%	(40,155)	(57,891)	(21,485)
	(44.2)%	40,155	57,891	21,485

Breakeven analysis

For FY2017, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 17.8% or increase in cost of sales by approximately 23.0%, our Group would achieve breakeven.

For FY2018, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 11.4% or increase in cost of sales by approximately 14.4%, our Group would achieve breakeven.

For 4M2019, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 5.6% or an increase in cost of sales by approximately 7.2%, our Group would achieve breakeven.

FINANCIAL INFORMATION

DIVIDEND AND DISTRIBUTABLE RESERVES

For FY2018, our Group declared dividends of approximately HK\$0.9 million, which was settled against amounts due from related companies and amount due from a director. For 4M2019, our Group declared dividends of approximately HK\$8.9 million, which was settled against amount due from immediate holding company and setting off with amounts due from related parties.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We do not have any pre-determined payout ratio.

The net amount due from related parties will be settled by way of distribution of dividends to Mr. Choi through assignment and offsetting of balances due from/(to) related parties prior to the Listing.

Our Company was incorporated on 18 December 2018 and there was no distributable reserve as at 31 December 2017 and 2018, respectively. As at 30 April 2019, we had distributable reserve of approximately HK\$0.4 million.

DISCLOSURE PURSUANT TO THE GEM LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the paragraph headed “Unaudited pro forma statement of adjusted consolidated net tangible assets” in Appendix II to this prospectus for details.

POST BALANCE SHEET EVENTS

Please also refer to note 35 to the Accountants’ Report.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continued to focus on our principal business of sales and distribution of hotel rooms, provision of car rental services and sales and provision of air tickets and other ancillary travel-related products and services, and had no material changes to our principal businesses.

FINANCIAL INFORMATION

During the Track Record Period, our Group had been granted three permits for crossing the HZMB. As at the Latest Practicable Date, we have submitted an application to the relevant Macau authority for the provision of our point-to-point cross-border transportation services. We have been liaising closely with different government authorities in Hong Kong to complete the relevant application for the provision of point-to-point cross-border transportation services between Macau and Hong Kong. Subject to other requirements which may be imposed by the Hong Kong government, we plan to commence our point-to-point cross-border transportation services between Macau and Hong Kong in the fourth quarter of 2019.

Based on our unaudited financial statements for the seven months ended 31 July 2019 (“7M2019”), we recorded a higher revenue for 7M2019 as compared to that for the seven months ended 31 July 2018 (“7M2018”). The increase was mainly driven by the increase in revenue generated from the sales and distribution of hotel rooms and provision of car rental services. In addition, our gross profit for 7M2019 was higher as compared to that for 7M2018, and such increase was generally in line with the increase in revenue.

In December 2018, we received notification from L’Arc Hotel Macau that the hotel would be renovated in 2019 and as a result, the number of rooms of L’Arc Hotel Macau available to us would be reduced from 175 rooms per day from Sunday to Thursday and 165 rooms per day from Friday to Saturday in December 2018 to 158 rooms per day from Sunday to Thursday and 148 rooms per day from Friday to Saturday in the first quarter of 2019. It is expected that the renovation will take place in stages in the same scale as in the first quarter of 2019 and the rooms available to us per day and the room rates from L’Arc Hotel Macau will be kept at the same level as in the first quarter of 2019 for the rest of 2019 until the completion of the renovation, given that the completion date was not known to us as at the Latest Practicable Date. Our Directors are of the view that the financial impact is limited, given the decrease in number of hotel rooms provided by L’Arc Hotel Macau only comprised approximately 1.9% of the total number of hotel rooms sold and distributed by us as at 31 December 2018, and being offset by the increase of approximately 7.6% of the total number of hotel rooms sold and distributed by us in January 2019 as compared to December 2018.

During 4M2019, we first established business relationship with Hotel P, being a five-star deluxe hotel in Macau. Subsequent to the Track Record Period, the number of hotel rooms supplied by Hotel P increased from two hotel rooms per day to ten hotel rooms per day.

As at 30 April 2019, we rented the Old Properties comprising two units at 10th Floor of Centro Comercial Cheng Feng in Macau of which the expiry date of the leases was 15 October 2019. Subsequent to the Track Record Period, the landlord of the Old Properties notified our Group that the landlord intended to early terminate the leases of the Old Properties. The effective dates of the early termination of the leases were 16 August 2019 and 16 September 2019, respectively. As a result, subsequent to the Track Record Period, we rented the New Properties at 9th Floor of Centro Comercial Cheng Feng in Macau. The leases of the New Properties commenced on 16 July 2019 and will expire on 15 April 2021. Considering that (i) the leases of the Old Properties were early terminated; and (ii) the Old Properties constituted two of our three offices in Macau, our Group accelerated our timeline for relocation. As a result, we have relocated to the New Properties in August 2019 before our full renovation, and will continue renovation of the New Properties in phases until November 2019. For details of the Old Properties and New Properties, please refer to the paragraph headed “Business — Properties — Leased properties” in this prospectus.

FINANCIAL INFORMATION

In August 2019, we entered into an agreement with a company held by an operator of an app (the “**App**”) for a term of one year. The App is a ride-hailing application launched in 2015 in China mainly providing services including chauffeur rental, taxi hailing and coach rental services. According to Ipsos, the App is one of the leading ride-hailing applications providing chauffeur rental service in the ride-hailing industry in China. Pursuant to the agreement, customers can make orders for our Multi-purpose Car Rental Services through the App.

Subsequent to the Track Record Period, we rented three carparking spaces in Macau of which the expiry date of the leases was 15 July 2021.

Our Directors confirm that, save for the Listing expenses to be incurred as stated in the paragraph headed “Listing expenses” in this section above, (i) there were no material adverse changes in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position since 30 April 2019 and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group since 30 April 2019 and up to the date of this prospectus; and (iii) no event had occurred since 30 April 2019 and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants’ Report.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), our Company will be owned as to 75% by Silver Esteem. Mr. Choi, being the legal and beneficial owner of the entire issued share capital of Silver Esteem, is indirectly holding 75% of the issued share capital of our Company. Accordingly, Silver Esteem and Mr. Choi are regarded as our Controlling Shareholders under the GEM Listing Rules.

Silver Esteem is an investment holding company incorporated in BVI, while Mr. Choi is the founder of our Group and has been leading the development of and strategic planning of our Group throughout the years. For details of Mr. Choi's background and experience, please refer to the paragraph headed "Directors, senior management and employees — Directors" in this prospectus. During the Track Record Period, we have entered into several transactions with the associate(s) or related parties of our Controlling Shareholder. For details, please refer to note 29 to the Accountants' Report.

Apart from the provision of travel agent services and car rental services through our Group, Mr. Choi also engages in consulting, property investment and property management activities in Macau through a number of companies controlled or owned by him (the "**Excluded Business**") and these companies will not form part of our Group after the Listing. As our Group is positioned to focus on the provision of travel agent services and car rental services, the Excluded Business was not injected into our Group and it will not have any direct or indirect competition with the business of our Group.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders, our Directors and their respective close associates does not have any interest apart from the business of our Group which competes or may compete with the business of our Group and which requires disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transaction between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholders or their respective close associates, taking into consideration the following factors:

Management independence

We have an independent management team comprising our executive Directors and our senior management who have substantial experience in our business. Our management team is able to implement our policies and strategies and perform its roles in our Company independently.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

We aim at establishing and maintaining a strong and independent Board to oversee our business. Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The main functions of our Board include the approval of our overall business plans and strategies, monitoring the implementation of these plans and strategies and the management of our Group.

Our Company will have a common director with Silver Esteem, namely Mr. Choi. Despite the common directorship, our Company believes that the management independence between our Company and Silver Esteem will be maintained as Silver Esteem is only an investment holding company.

Further, each of our Directors is aware of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and our Shareholders as a whole, and does not allow any conflict between his duties as a Director and his personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings in respect of such transactions and shall not be counted in the quorum. In case Mr. Choi is required to abstain from voting at Board meetings due to potential conflict(s) of interest, other executive Director and our independent non-executive Directors will be able to form a quorum and ensure that the decisions of our Board are made after due consideration of independent and impartial opinion.

In view of the aforesaid, our Directors are of the view that we are capable of managing the business of our Group independently of our Controlling Shareholders and their respective close associates after the Listing.

Operational independence

We have established our own organisational structure comprising individual departments, each with specific areas of responsibilities. We have sufficient operational resources, such as suppliers, customers, and marketing, sales and general administration resources to operate our business independently.

Further, we have sufficient capital, equipment and employees to operate our business independently. We have also established various internal controls procedures to facilitate the effective operations of our business.

Our Group has not entered into any connected transaction with any of our Controlling Shareholders that will continue after the Listing.

Financial independence

We have our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments. We make financial decisions according to our own business needs.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our accounting and finance department will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

During the Track Record Period, Mr. Choi had provided personal guarantees in respect of borrowings and general banking facilities of our Group. Except for the personal guarantee provided by Mr. Choi in relation to our secured bank borrowings with the carrying amount of approximately HK\$4.4 million as at 30 April 2019, all other personal guarantees had been released during the Track Record Period. The outstanding personal guarantee provided by Mr. Choi will be released prior to or upon the Listing.

As at 30 April 2019, our Group had amounts due from Mr. Choi as Director, details of which are set out in note 20 to the Accountants' Report. Prior to the Listing, all amounts due from Mr. Choi will be settled by cash.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in our business operations and we are able to obtain external financing on market terms and conditions for our business operations as and when required.

Independence from our five largest suppliers

Mrs. Choi is one of the three directors of Tak Chun, being one of our five largest suppliers and customers during the Track Record Period. Mrs. Choi was appointed as a director by the shareholders of Tak Chun and served as its employee. She did not hold any shareholding interest in Tak Chun during the Track Record Period and up to the Latest Practicable Date. As such, under the GEM Listing Rules, Tak Chun is an Independent Third Party, and the transactions between Tak Chun and our Group do not constitute continuing connected transactions. Our Directors confirm that the transactions with Tak Chun were conducted on arm's length basis. Save as disclosed above, none of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of the five largest suppliers during the Track Record Period.

Independence from our five largest customers

For the relationship between Tak Chun, being one of our five largest suppliers and customers during the Track Record Period, please refer to the paragraph headed "Independence from our five largest suppliers" in this section above. Save as disclosed above, none of our Directors, their respective close associates or any Shareholder (who or which, to the best knowledge of our Directors, owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of the five largest customers during the Track Record Period.

SHARE CAPITAL

SHARE CAPITAL

The tables below set forth information with respect to the share capital of our Company after completion of the Capitalisation Issue and the Share Offer.

Authorised share capital: *HK\$*

<u>12,000,000,000</u>	Shares of HK\$0.01 each	<u>120,000,000</u>
-----------------------	-------------------------	--------------------

Without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Capitalisation Issue and the Share Offer will be as follows:

Shares *HK\$*

1	Share in issue as at the Latest Practicable Date	0.01
899,999,999	Shares to be issued pursuant to the Capitalisation Issue	8,999,999.99
<u>300,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>3,000,000</u>
<u>1,200,000,000</u>	Total	<u>12,000,000</u>

ASSUMPTIONS

The above tables assume that the Share Offer becomes unconditional and Shares are issued pursuant to the Share Offer. It takes no account of any Share that may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued Shares in the hands of the public.

RANKING

The Offer Shares are ordinary Shares and rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

SHARE CAPITAL

We did not have any outstanding share option, warrant, convertible instrument or similar right convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate not exceeding:

- (a) 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme); and
- (b) the aggregate number of issued Shares which may be repurchased by our Company (if any) under the mandate to repurchase Shares referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under the general mandate, allot, issue and deal in our Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of the subscription rights attaching to any warrant of our Company, scrip dividends or similar arrangements or options providing for the allotment and issue of Shares in lieu of the whole or in any part of any cash dividends or options to be granted under the Share Option Scheme and any option scheme or similar arrangement for the time being adopted.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Further details of this general mandate are set out in the paragraph headed “A. Further information about our Group — 6. Written resolutions of our sole Shareholder passed on 3 September 2019” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of GEM (or of such other stock exchange), Shares in the number not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). A summary of the relevant GEM Listing Rules is set out in the paragraph headed “A. Further information about our Group — 7. Repurchase of our Shares” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the date by which our next annual general meeting is required by the Articles or any applicable law to be held; or
- (c) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

Further details of this repurchase mandate are set out in the paragraph headed “A. Further information about our Group — 7. Repurchase of our Shares” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of a general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix III to this prospectus.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors or chief executive of our Company, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which is expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group:

Person / corporation	Company concerned	Capacity / nature of interest	Number of Shares held as at the date of submission of application for the Listing	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer (Note 1)	Percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Silver Esteem (Note 2)	Our Company	Beneficial owner	One Share	900,000,000 (L)	75%
Mr. Choi (Note 2)	Our Company	Interest in controlled corporation (Note 2)	One Share	900,000,000 (L)	75%
Mrs. Choi (Note 3)	Our Company	Interest of spouse (Note 3)	One Share	900,000,000 (L)	75%

Notes:

1. The letter “L” denotes a person’s/corporation’s “long position” (as defined under Part XV of the SFO) in our Shares.
2. Our Company will be owned as to 75% by Silver Esteem immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). Silver Esteem is wholly and beneficially owned by Mr. Choi. Under the SFO, Mr. Choi is deemed to be interested in the same number of Shares held by Silver Esteem.
3. Mrs. Choi is the spouse of Mr. Choi. Under the SFO, Mrs. Choi is deemed to be interested in the same number of Shares in which Mr. Choi is interested.

Save as disclosed above, our Directors are not aware of any person/corporation who/which will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying Shares which fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which is expected, directly or indirectly, be interested in 10% or more of the issued voting shares of any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SIGNIFICANT SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any person who will be, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of our Company and will therefore be regarded as our significant Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Choi Wai Chan (蔡偉振)	32	Executive Director, chairman of the Board and chief executive officer of our Group	December 2018	February 2014	Overall management and strategic planning of our Group	Nil
Mr. Leong Tat Meng (梁達明)	36	Executive Director	December 2018	February 2014 ^(Note)	Management and supervision of operations of our Group	Nil
Independent non-executive Directors						
Mr. Sou Sio Kei (蘇兆基)	49	Independent non-executive Director	September 2019	September 2019	Providing independent advice to the Board, serving as the chairman of the Remuneration Committee and a member of the Nomination Committee and Audit Committee	Nil
Mr. Rodrigues Cesar Ernesto (施力濤)	39	Independent non-executive Director	September 2019	September 2019	Providing independent advice to the Board, serving as the chairman of the Nomination Committee and a member of the Remuneration Committee and Audit Committee	Nil
Mr. Hu Chung Ming (胡宗明)	46	Independent non-executive Director	September 2019	September 2019	Providing independent advice to the Board, serving as the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee	Nil

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Note: Mr. Leong joined our Group as an indirect shareholder of Ying Hai Tourism (Macau) in February 2014. For details, please refer to the paragraph headed “History, development and Reorganisation — Business development” in this prospectus. In May 2015, Mr. Leong started working in our Group and served as an administrator of Ying Hai Rent-A-Car (Macau). For details please refer to the paragraph headed “Directors — Executive Directors” in this section below.

Name	Age	Present position	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Senior Management					
Ms. Im Kam Kuan (嚴金群)	45	Customer service director	June 2016	Overseeing the operation of Ying Hai Tourism (Macau) and Ying Hai Rent-A-Car (Macau)	Nil
Ms. Zou Shuer (鄒舒爾)	29	Chief operating director	September 2017	Overseeing the operation of C U Macau	Nil
Ms. Tsui Yuen Man (徐婉雯)	28	Senior finance manager	January 2019	Financial and accounting matters	Nil

DIRECTORS

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Choi Wai Chan (蔡偉振), aged 32, is the founder of our Group. He was appointed as a Director on 18 December 2018 and was re-designated as an executive Director on 18 February 2019. He also serves as the chairman of the Board and the chief executive officer of our Group. He is responsible for overseeing the overall management and strategic planning of our Group. He is one of the Controlling Shareholders.

Mr. Choi has over nine years of business management experience. Prior to establishing our Group, Mr. Choi engaged in property investment from June 2007 to October 2009. From October 2009 to February 2019, Mr. Choi gained experience in the consumer market of Macau by operating a dessert shop in Macau. Since February 2014, Mr. Choi has been serving as a director of Ying Hai Tourism (Macau) and involving in the management of our Group. Currently, Mr. Choi serves as a director of all the subsidiaries of our Group, namely Endless Luck, Ample Coral, Brilliant Town, Max Rank, Ying Hai Tourism (Macau), Zhuhai Ying Hai, Ying Hai Rent-A-Car (Macau), Ying Hai Rent-A-Car (HK), Ying Hai Interurban, C U Macau and Ying Hai Tourism (HK). Mr. Choi has been a director of the Travel Industry Council of Macau (澳門旅遊業議會) since November 2018. In addition, Mr. Choi has also been a vice chairman of the Jin Jiang Clans Association Macau (澳門晉江同鄉會), a honorary

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

president of the Macao Kam Cheang Youth Association (澳門金井青年會), a vice president of the Associação Macaense dos Amigos de Shanghai (澳門上海聯誼會) and a honorary president of the Macau Electronic Competition Association (澳門電子競賽協會) since December 2017, December 2016, October 2018 and January 2019, respectively.

Mr. Choi attended secondary school education till June 2006 and is currently studying a bachelor's degree of international hospitality and tourism management program (Chinese) at the City University of Macau in Macau.

Mr. Leong Tat Meng (梁達明), aged 36, is a co-founder of our Group. He was appointed as an executive Director on 18 December 2018 and was re-designated as an executive Director on 18 February 2019. Mr. Leong is responsible for management and supervision of operations of our Group.

Mr. Leong has over eight years of experience in the travel-related industry in Macau. From August 2005 to April 2007, Mr. Leong worked as a sales assistant at a pharmacy and got acquainted with Mr. Choi in a business event in 2005. From May 2007 to September 2010, Mr. Leong worked in Rong Fa Li Artificial Plastic Flower Limited Company, engaging in manufacture of artificial plastic flower, as an assistant. From January 2011 to September 2014, he worked in Tak Chun, being an established entertainment company in Macau, as an assistant officer in the concierge department which served mostly travellers to Macau, and gained insights to the travel-related industry in Macau. From May 2015 to September 2016, Mr. Leong served as an administrator of Ying Hai Rent-A-Car (Macau). Since November 2016 and January 2017, Mr. Leong has been working as vehicle business supervisor in Ying Hai Rent-A-Car (Macau) and Ying Hai Tourism (Macau), respectively. Mr. Leong currently serves as a director of Ying Hai Interurban. Since joining our Group in 2015, Mr. Leong has been managing and supervising the operations of our Group and, working in conjunction with Mr. Choi, contributed to our business development and growth. In particular, under his supervision on our vehicle business, we successfully obtained an authorisation granted by the MGTO to provide Multi-purpose Car Rental Services and obtained three out of 40 permits for the provision of point-to-point cross-border transportation services between Macau and Hong Kong.

Mr. Leong obtained a diploma in hospitality and tourism management from the Beijing Huijia University in the PRC in July 2004. In September 2004, Mr. Leong further obtained a diploma of hospitality management and an advanced diploma of hospitality management from the Kangan Batman Institute of TAFE in the PRC.

Independent non-executive Directors

Mr. Sou Sio Kei (蘇兆基), aged 49, was appointed as an independent non-executive Director on 3 September 2019. He is the chairman of the Remuneration Committee and a member of the Nomination Committee and the Audit Committee.

Mr. Sou has over 13 years of experience in the legal field in Macau. Mr. Sou was admitted as a registered lawyer at the Macau Lawyers Association* (澳門律師公會) in May 2005 and was a member of the Higher Committee of the Legal Industry* (律師業高等委員會) of the Macau Lawyers Association* (澳門律師公會) from 2015 to 2018. Mr. Sou has been working as a lawyer at Sou Sio Kei Law Firm since July 2005. Mr. Sou was appointed as a mediator by the China Council Promotion

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

of International Trade/China Chamber of International Commerce Mediation Center (中國國際貿易促進委員會/中國國際商會調解中心) in December 2018. In July 2019, Mr. Sou became a Macau Lawyers Association* (澳門律師公會) and International Dispute Resolution Academy accredited international mediator.

Mr. Sou provided service to the faculty of law of the University of Macau from March 2009 to February 2012, and was a part-time lecturer at the faculty of law of the University of Macau from August 2012 to February 2019. He has also been providing teaching services to the faculty of law of the Macau University of Science and Technology since January 2019.

Mr. Sou graduated from the University of Macau in Macau with a bachelor's degree in law and a master's degree in law in March 2001 and September 2016, respectively.

Mr. Rodrigues Cesar Ernesto (施力濤), aged 39, was appointed as an independent non-executive Director on 3 September 2019. He is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee.

From January 2005 to December 2005, Mr. Rodrigues Cesar worked as an assistant technician for the Macau 4th East Asian Games Organising Committee. From January 2006 to December 2007, Mr. Rodrigues Cesar worked as technician for the Macau 2nd Asian Indoor Games Organising Committee. From January 2008 to December 2008, Mr. Rodrigues Cesar worked as technician for the Association of Portuguese Speaking Olympic Committees. From January 2009 to June 2015, Mr. Rodrigues Cesar worked at the MGTO, with his last position being the Head of the Business Tourism and Events Division. Since July 2015, Mr. Rodrigues Cesar has been working as a managing director at Speedy Consultancy Co. Ltd, engaging in providing consultancy services in licensing, immigration, event management, marketing and public relations. Since May 2019, Mr. Rodrigues Cesar has been working as a director at Bigger A Import and Export Trade Limited, and Tong Sin Catering and Import & Export Group Company Limited, engaging in the import and export of frozen food. Since June 2019, Mr. Rodrigues has been working as a director at Shuang Zuan Management Restaurant Company Limited, engaging in catering management.

Mr. Rodrigues Cesar graduated from the University of Hertfordshire in the United Kingdom with a bachelor's degree in marketing in July 2004. Mr. Rodrigues Cesar has been the vice president of the Inspirational Youth Association (勵志青年會) since July 2015.

Mr. Hu Chung Ming (胡宗明), aged 46, was appointed as an independent non-executive Director on 3 September 2019. He is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee.

Mr. Hu has over 22 years of experience in accounting and auditing. From January 1997 to March 2000, Mr. Hu worked at Ernst & Young with the last position as senior accountant. From April 2000 to January 2003, Mr. Hu worked at LANKom Electronics Limited, engaging in the design, development, manufacture and distribution of electromagnetic components for original equipment manufacturers, as chief financial officer. From February 2003 to June 2007, Mr. Hu worked at China Flexible Packaging Holdings Limited, engaging in the manufacture and sales of plastic packaging films, synthetic papers and high barrier films, as chief financial officer. From November 2007 to October 2008, Mr. Hu worked at Yunnan Junfa Real Estate Company Limited* (雲南俊發房地產有限

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

責任公司), engaging in property development, as chief financial officer. From September 2009 to April 2011, Mr. Hu worked at Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited (stock code: 1938), a company listed on the Main Board of the Stock Exchange, as chief financial officer and company secretary. Since August 2013, Mr. Hu has been working at Mobile Internet (China) Holdings Limited (formerly known as China Packaging Holdings Development Limited) (stock code: 1439), a company listed on the Main Board of the Stock Exchange, as chief financial officer and company secretary. Since December 2010, Mr. Hu has also been an independent non-executive director of Leyou Technologies Holdings Limited (formerly known as Sumpo Food Holdings Limited) (stock code: 1089), a company listed on the Main Board of the Stock Exchange.

Mr. Hu obtained a bachelor's degree of commerce from the University of Queensland in Australia in December 1996. Mr. Hu was admitted as a fellow member of the HKICPA in January 2010, and was admitted as a member of the Australian Society of Certified Practising Accountants (currently known as CPA Australia) in March 2000.

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Mr. Choi was a director of the following companies prior to their respective dissolution. Mr. Choi confirmed that the following companies were solvent and inactive at the time of dissolution and that their dissolution had not resulted in any liability or obligation against him.

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Means of dissolution
Zhuhai Technology	PRC	Inactive	21 December 2018	Deregistration
Choi Wai Chan E.I. (蔡偉振個人企業主)	Macau	Entertainment business	3 December 2018	Deregistration
Taxigo Company Limited (的士高股份有限公司)	Macau	Inactive	20 February 2019	Deregistration

Save as disclosed above, each of our Directors has confirmed with respect to him that: (a) he has not held any current or past directorship in the last three years in any other listed company, the securities of which are listed on any securities market in Hong Kong or overseas; (b) he has not held other positions in our Company or any members of our Group as at the Latest Practicable Date; (c) he did not have any relationship with any other Directors, senior management, substantial shareholder of our Company or Controlling Shareholders as at the Latest Practicable Date; (d) he does not have any other interest in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed "C. Further information about our Directors and substantial shareholders — 1. Disclosure of interests" in Appendix IV to this prospectus; (e) he does not have any other interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is discloseable under the GEM Listing Rules; and (f) to the best of the knowledge, information and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

belief of our Directors having made all reasonable enquiries, there was no additional information relating to our Directors or senior management that was required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of the Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Ms. Im Kam Kuan (嚴金群), aged 45, joined our Group in June 2016 and she is the customer service director of our Group. She is primarily responsible for overseeing the operation of Ying Hai Tourism (Macau) and Ying Hai Rent-A-Car (Macau). Ms. Im completed a business administration program by the Education Center for Zhuhai Tsinghua Science Park in the PRC in December 2013. Ms. Im has accumulated over eleven years of experience in management and administration. From October 2007 to March 2009, she worked as a general manager in the export department at Realtex International (Macau) Garment Factory, engaging in manufacture of garment. From June 2011 to November 2011, she worked as the manager in the administration department at Jin Fong (Macau) Apparel Limited, engaging in manufacture of garment. From December 2011 to May 2014, she worked in Tak Chun as an assistant concierge manager in the customer service department. From June 2014 to May 2016, Ms. Im worked in Guangdong Management Limited as a manager in the customer service department.

Ms. Zou Shuer (鄒舒爾), aged 29, joined our Group in September 2017 and she is the chief operating director of our Group. She is primarily responsible for overseeing the operation of C U Macau. Ms. Zou graduated from the University of Macau in Macau with a bachelor's degree in law in July 2013. From January 2014 to August 2017, Ms. Zou worked in the Commission Against Corruption of Macau as senior inspector.

Ms. Tsui Yuen Man (徐婉雯), aged 28, is the senior finance manager of our Group. Ms. Tsui joined our Group in January 2019 and is primarily responsible for financial and accounting matters of our Group. Ms. Tsui graduated from the University of South Australia in Australia with a bachelor's degree in commerce in December 2012. Ms. Tsui was admitted as a member of CPA Australia in March 2017. Ms. Tsui has more than six years of experience in accounting and auditing matters. From January 2013 to May 2014, she worked in Chan, Li, Law CPA Limited (formerly known as Chan, Li, Law & Co.) with the last position as accounts/audit intermediate. From May 2014 to January 2015, Ms. Tsui worked in Kelvin Chong & Partners as an audit intermediate. From January 2015 to August 2018, she worked in HLB Hodgson Impey Cheng Limited with the last position as senior accountant.

Each of the senior management members has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPANY SECRETARY

Mr. Ng Shing Kin (吳成堅), aged 38, was appointed as the company secretary of our Company on 18 February 2019.

Mr. Ng obtained an honours diploma in business administration from the Hong Kong Shue Yan College in July 2005 and a master's degree of business administration from The University of Louisiana at Monroe in Hong Kong in May 2007. Mr. Ng further obtained a postgraduate diploma in professional accounting from the Hong Kong Baptist University in November 2007. Mr. Ng was granted the designation of financial risk manager by the Global Association of Risk Professionals in July 2008, and was admitted as a member of the HKICPA in January 2012. Mr. Ng is currently a practising certified public accountant in Hong Kong.

Prior to joining our Group in November 2018, Mr. Ng worked at HLB Hodgson Impey Cheng Limited from August 2008 to December 2013 with the last position as senior accountant. From December 2013 to October 2015, he worked in PricewaterhouseCoopers Limited as a senior associate. Since November 2015, he has been working as the financial controller and company secretary of Royal Catering Group Holdings Company Limited (stock code: 8300), a company listed on GEM of the Stock Exchange.

COMPLIANCE OFFICER

Mr. Choi is the compliance officer of our Company. For details of his background and experience, please refer to the paragraph headed "Directors — Executive Directors" in this section above.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code pursuant to a resolution of our Directors passed on 3 September 2019. The primary duties of the Audit Committee are, among others, to make recommendation to our Board on the appointment, reappointment and removal of external auditor, monitor integrity of our financial statements, review significant financial reporting judgements contained in them, oversee our financial reporting, internal control, risk management systems and audit process and perform other duties and responsibilities assigned by our Board.

At present, the Audit Committee comprises of Mr. Hu Chung Ming, Mr. Sou Sio Kei and Mr. Rodrigues Cesar Ernesto, all being independent non-executive Directors. Mr. Hu Chung Ming is the chairman of the Audit Committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

Our Company established the Remuneration Committee on 3 September 2019 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of the Remuneration Committee are, among others, to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors or their associates is involved in deciding their own remuneration.

At present, the Remuneration Committee comprises of Mr. Sou Sio Kei, Mr. Rodrigues Cesar Ernesto and Mr. Hu Chung Ming, all being independent non-executive Directors. Mr. Sou Sio Kei is the chairman of the Remuneration Committee.

Nomination Committee

Our Company established the Nomination Committee on 3 September 2019 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of the Nomination Committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, the Nomination Committee comprises of Mr. Rodrigues Cesar Ernesto, Mr. Sou Sio Kei and Mr. Hu Chung Ming, all being independent non-executive Directors. Mr. Rodrigues Cesar Ernesto is the chairman of the Nomination Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Except for the deviation from provision A.2.1 of the Corporate Governance Code, our corporate governance practices are expected to comply with the Corporate Governance Code. Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Choi has been managing our business and overall strategic planning since our establishment. Our Directors believe that the vesting of the roles of chairman of the Board and chief executive officer in Mr. Choi is beneficial to the business operations and management of our Group as it provides a strong and consistent leadership to our Group and that the current management has been effective in the development of our Group and implementation of business strategies under the leadership of Mr. Choi. In allowing the two roles to be vested in the same person, our Directors believe both positions require in-depth knowledge and considerable experience of our business and Mr. Choi is the most suitable person to occupy both positions for effective management of our Group. Accordingly, our Company has not segregated the roles of our chairman of the Board and chief executive officer as required by Code Provision A.2.1 of the Corporate Governance Code.

COMPLIANCE ADVISER

Our Company has appointed Lego Corporate Finance Limited as the compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the term commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company shall consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Group, including share issues and share repurchases;
- (c) where our Group propose to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate to a material extent from any forecast, estimate, or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of our Company under Rule 17.11 of the GEM Listing Rules.

BOARD DIVERSITY POLICY

Our Company will adopt a board diversity policy (the “**Board Diversity Policy**”) before Listing. The purpose of the Board Diversity Policy is to enhance the effectiveness of our Board and to maintain the highest standards of corporate governance and recognise and embrace the benefits of diversity in our Board. Candidates to our Board will be selected based on a range of diversity perspectives, including but not limited to gender, age, length of service, cultural and education background, or professional experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to service the Shareholders and other stakeholders going forward.

Our Board comprises five members, including two executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including tourism, finance, consulting and legal experiences in addition to experiences in the travel industry. Furthermore, the age range of our Board ranges from 32 years old to 49 years old. In addition, none of our Directors are related to one another. After due consideration, our Board believes that based on our existing business model and specific needs, and the background of our Directors, although our Board currently has no female representation, the composition of our Board satisfies the principles under the Board Diversity Policy. Nevertheless, in recognising the particular importance of gender diversity, our Company confirm that our nomination committee will, within three years from the Listing Date, identify and recommend one female candidate to our Board for consideration on her appointment as director of our Company.

The effective implementation of the Board Diversity Policy requires that our Shareholders are able to judge for themselves whether our Board as constituted is a reflection of diversity, or a gradual move to increased diversity, on a scale and at a speed which they support. To this end, our Shareholders will be provided with detailed information of each candidate for appointment or re-election to our Board through announcements and circulars published prior to general meetings of our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses related to their performance. Our Group also reimburses them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by our Group from time to time or for providing services to our Group or executing their functions in relation to our business and operations. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management, with reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

For FY2017, FY2018 and 4M2019, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors amounted to approximately HK\$0.3 million, HK\$0.5 million and HK\$0.2 million, respectively.

For FY2017, FY2018 and 4M2019, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to the five highest paid individuals (including our Directors) by our Group amounted to approximately HK\$1.1 million, HK\$1.7 million and HK\$0.8 million, respectively.

Save as disclosed above, no other emoluments have been paid, or are payable, by our Group to our Directors and the five highest paid individuals for FY2017, FY2018 and 4M2019.

Under the arrangements currently in force, the aggregate remunerations payable by our Group to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2019 are expected to be approximately HK\$1.2 million. Upon completion of the Listing, the remuneration committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by the Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the five highest individuals as an inducement to join or upon joining our Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to note 12 to the Accountants' Report.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the paragraph headed "D. Share Option Scheme" in Appendix IV to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business — Our strategies” in this prospectus for our business objectives and strategies.

REASONS FOR LISTING

Our Directors are of the view that the Listing will have the following benefits:

Help our Group capture market opportunities and satisfy our genuine funding needs to carry out our business strategies

According to the Ipsos Report, the total revenue of the travel agents service in Macau is expected to increase from approximately MOP8,506.2 million in 2018 to approximately MOP10,401.0 million in 2022 at a CAGR of approximately 5.2%, and the total revenue of the car rental market in Macau is expected to grow from approximately MOP415.6 million in 2018 to approximately MOP532.4 million in 2022 at a CAGR of approximately 6.4%.

In view of the expected growth of the travel agent and car rental industries in Macau, we intend to capture market opportunities by, among other things, (i) cooperating with more hotel operators and travel agents; and (ii) expanding our car fleet.

Prior to the Listing, our business was funded by our internal resources and bank borrowings. Our existing financial resources limit our capability to cooperate with more hotel operators and secure and purchase more hotel rooms at the same time because we are generally required to place a significant sum of cash as deposit and/or bank guarantee upon entering into Hotel Rooms Guarantee Agreements and/or Allotment Agreements. As advised by Ipsos, it is an industry norm for wholesale travel agents in Macau to pay full amount of upfront deposit based on the deposit rate per hotel room and the actual number of hotel rooms purchased. For details of our sales and distribution of hotel rooms, please refer to the paragraph headed “Business — Products and services — (i) Hotel rooms” in this prospectus. On the other hand, if we utilise our existing cash to pay the deposits and/or bank guarantee, our abilities to acquire additional vehicles for our car fleet may be affected. Without additional funding, we may fail to fully capture the forecasted growth in the travel agent and car rental industries in Macau.

According to the Ipsos Report, the amount of the deposit varies depending on the bargaining power between hotel operators and the wholesale travel agents. It is not uncommon that, to secure 10 rooms per day, hotel operators request upfront deposit per month from wholesale travel agents of MOP360,000 to MOP600,000 for 3-stars hotels, MOP480,000 to MOP720,000 for 4-stars hotels and MOP480,000 to MOP720,000 for 5-stars hotels. The amount of deposit required may be marked down, inter alia, when relationship is established.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Share Offer will provide us with the necessary financial resources to provide the deposits and/or bank guarantees required by hotel operators and to acquire additional vehicles to expand our car fleet.

Maintain sufficient liquidity

Our cash and cash equivalents amounted to approximately HK\$5.9 million, HK\$10.6 million and HK\$14.3 million as at 31 December 2017, 2018 and 30 April 2019, respectively. In addition, the expected average monthly working capital required for our daily operations is approximately HK\$2.8 million for the year ending 31 December 2019. Our Directors consider that, save for our operating expenses, given the general credit terms for our major suppliers are 30-days, it is necessary to maintain an adequate level of liquidity to support our daily operations and also to maintain a sufficient level of cash in the event we are to enter into new Hotel Rooms Guarantee Agreements or increase the numbers of hotel rooms under the Allotment Agreements from time to time.

The net proceeds from the Share Offer will allow us to carry out our expansion plan in accordance with our business strategies without affecting the level of cash available for conducting our existing business. In addition, part of net proceeds from the Share Offer designated as general working capital will further strengthen our liquidity level.

It is our experience that it is a common practice for the hotel operators to only deal with travel agents with sound financial strength, particularly before establishing business relationship so as to control their own credit risks.

Enhancing our corporate profile, brand awareness and competitiveness

Our Directors are of the view that a listing status on the Stock Exchange will enhance our corporate profile and raise our recognition among our existing and potential customers and suppliers, which may assist us to further develop our customer and supplier base. Our Directors also consider that a listing status on the Stock Exchange can attract potential customers and suppliers by providing them more confidence to establish business relationship with companies having a well-established internal control, corporate governance system, more transparent financial disclosure and regulatory supervision.

Enabling us to raise funds for future business development either by debt financing or equity financing

The completion of the Listing will enable us to have direct access to the capital market in Hong Kong for future fund-raising exercise, and thus allow our Group the flexibility to raise fund by either debt financing or equity financing in the future. Comparing to debt financing, fund raised by equity financing can remove uncertainty in relation to debt financing in terms of the amount that can be raised, the timing of such funding, the collaterals required, the potential rise of the cost of debt financing in the future, and the constraints that are likely to be imposed against our Group (in terms of covenants which may restrict our ability to pay dividends or obtain additional financing) as a private company.

FUTURE PLANS AND USE OF PROCEEDS

A listing status can also facilitate our future debt financing, if necessary. According to the Ipsos Report, not all the banks in Macau offer car loans to companies. It is not uncommon for the banks in Macau to require company, shareholders or directors to pledge their real properties to obtain car loans for small to medium-scale companies. Despite that the Macau government's SME Aid Scheme also offers interest-free loans as a form of financial assistance to enterprises, such loans require personal guarantee from shareholders or enterprise-owner for the purpose of business expansion.

The banks in Macau would generally require extensive securities and collaterals. A group of private companies without a listing status would usually find it difficult to obtain debt financing without providing guarantees or other collateral by their controlling shareholders. As disclosed in the section headed "Financial information" in this prospectus, despite our Group obtained a banking facility, such facility was (i) guaranteed by our Director which will be released prior to or upon Listing; and (ii) secured by 28 vehicles out of 45 vehicles held by our Group as at 30 April 2019. As at the Latest Practicable Date, our Group only had limited assets available to pledge to the banks for further debt financing. As such, it is difficult for our Group to obtain further debt financing sufficient to implement our expansion plan as disclosed below in this section, or at all. The Directors believe that with a listing status, our Group would be able to obtain banking borrowings with less stringent terms. In addition, the financial reporting requirements under the GEM Listing Rules will enable potential lenders to evaluate and monitor our financial position and performance more effectively, and therefore it is expected that the approval process for any future bank borrowings can be smoothened. The better accessibility to banking facilities will allow us more flexibility in the management of our cash flow.

USE OF PROCEEDS

Assuming an Offer Price of HK\$0.22 per Offer Share, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK\$37.0 million from the Share Offer after deducting the underwriting fees, commission fees and estimated expenses payable by us in connection with the Share Offer.

In line with our business strategies, we currently intend to apply the net proceeds from the Share Offer for the following purposes:

Business strategies	Amount of net proceeds of the Share Offer to be utilised	Percentage of net proceeds of the Share Offer to be utilised
	<i>HK\$' million</i>	<i>%</i>
Expand our car fleet	19.6	52.9
Cooperate with more hotel operators	6.0	16.2
Increase our marketing and expansion of our sales channel	6.5	17.4
Improve the efficiency of our operation	1.5	4.1
Expand of our workforce	2.4	6.6
General working capital	1.0	2.8
Total	37.0	100.0

FUTURE PLANS AND USE OF PROCEEDS

We set out below the detailed breakdown and description of our intended use of the net proceeds of the Share Offer:

- (i) as to approximately 52.9% of the net proceeds, representing approximately HK\$19.6 million, will be used for expansion of our car fleet.

As described above under the paragraph headed “Reasons for Listing” in this section, according to the Ipsos Report, the total revenue of the car rental market in Macau is expected to grow from approximately MOP415.6 million in 2018 to approximately MOP532.4 million in 2022 at a CAGR of approximately 6.4%. Furthermore, according to the Ipsos Report, in 2018 the ratio of chauffeur-driven services and self-drive rent-a-car services provided in the car rental services industry in Macau was approximately 78% and 22%, respectively. The utilisation rate of our vehicles remained high, at approximately 100.3%, 86.9% and 97.9% for FY2017, FY2018 and 4M2019, respectively, and there were orders for car rental services not taken by our Group during the peak seasons owing to the high utilisation of our vehicles.

In addition, despite our current market share (at approximately 2.1% in terms of market share for in-city car rental in Macau in 2018 according to the Ipsos Report) is smaller than other car rental services operators, namely, Company F, Company G and Company H, our Group only obtained the authorisation granted by the MGTO in November 2017 and commenced our Multi-purpose Car Rental Services in May 2018 whereas Company F, Company G and Company H were established to provide car rental services in 1987, 2007 and 2008, respectively. As such, our Directors believe that, given our entry in May 2018 and recorded substantial increase in revenue generated from the provision of car rental services, there is room for our Group to further establish our market share.

In view of the foregoing, we intend to acquire additional vehicles to expand our car fleet in order to increase our market share through (i) focusing on chauffeur-driven services given its higher demand than self-drive rent-a-car services to capture new customers; and (ii) increasing our marketing effort to promote our car rental services to our existing and potential corporate and individual customers, together with our sales and distribution of hotel rooms. In addition, the utilisation rate of our drivers for Multi-purpose Car Rental Services was high, at approximately 118.2% and 119.0% for FY2018 and 4M2019, respectively, and the existing number of drivers of our Group is not sufficient to support our intended expansion of car rental services.

In connection with the aforementioned, we intend to expand our existing car fleet by acquiring additional 20 7-seat private cars of approximately HK\$550,000 each and hire 20 additional drivers, which are in line with the average of our historical cost of approximately HK\$489,000 for 7-seat private cars, for offering chauffeur-driven services from the Latest Practicable Date to 31 December 2022.

Our current operating segments are, namely, (a) sales and distribution of hotel rooms; (b) provision of car rental services; and (c) sales and provision of air tickets and other ancillary travel-related products and services. In addition, our Group plans to commence our point-to-point cross-border transportation services between Macau and Hong Kong. Our Directors believe that the above operating segments are complementary to each other

FUTURE PLANS AND USE OF PROCEEDS

and that our Group is operating with an integrated business model. As such, our Directors are of the view that the acquisition of 20 additional vehicles and hiring of additional 20 drivers can strengthen our car rental services and create synergy to our integrated business model;

- (ii) as to approximately 16.2% of the net proceeds, representing approximately HK\$6.0 million, will be used for payment of deposit and/or bank guarantee in relation to the expansion of our business by cooperating with more hotel operators.

The total revenue of travel agents in Macau is expected to increase from approximately MOP8,506.2 million in 2018 to approximately MOP10,401.0 million in 2022 at a CAGR of approximately 5.2%. Our Directors intend to enter into Hotel Rooms Guarantee Agreements with more mid- to high-tier hotels with a view to increase the number of hotel rooms available to us and to expand our hotel base so as to capture more business travellers and customers with high spending power and to increase our market share. For FY2017, FY2018 and 4M2019, we entered into Hotel Rooms Guarantee Agreements with five, one and one new hotel operators, respectively.

As at 30 April 2019, our average upfront deposit per hotel room under the Hotel Rooms Guarantee Agreements for 3-stars, 4-stars and 5-stars hotels were approximately MOP579, MOP739 and MOP1,214 per day, respectively. If the upfront deposit of MOP200,000 paid to L'Arc Hotel Macau is not taken into account of, the average upfront deposit per hotel room for 5-stars hotels would have been increased to approximately MOP1,507 per day. For background of our upfront deposit paid to L'Arc Hotel Macau, please refer to the paragraph headed "Business — Reliance on supplier and customer — (i) Supplier — L'Arc Hotel Macau" in this prospectus.

As described above under the paragraph headed "Reasons for Listing" in this section, according to Ipsos Report, an upfront deposit per month for 10 rooms per day is generally required, and the amount depends on the bargaining power between hotel operators and the wholesale travel agents, and the range of deposit per month for 10 rooms per day for new engagements between wholesale travel agents and hotel operators are from MOP360,000 to MOP600,000 for 3-stars hotels, MOP480,000 to MOP720,000 for 4-stars hotels and MOP480,000 to MOP720,000 for 5-stars hotel operators.

We expect to secure not less than 200 additional hotel rooms with eight new 4-stars or 5-stars hotels from the Latest Practicable Date to 31 December 2022. On the basis that we will be required to pay upfront deposit of MOP1,000 per hotel room per day, we estimate the total deposit to be approximately HK\$6.0 million for not less than 200 additional hotel rooms. Our Directors are of the view that our Group will be able to enter into new Hotel Rooms Guarantee Agreements with eight hotels after considering the following: (a) despite our Group was established in 2014 and had limited operating history, we have already established business relationship with eight hotel operators as of 30 April 2019. Our Directors believe that if there is no material adverse change to the market conditions and our Group is able to maintain our market reputation, we should be able to leverage our competitive strengths and replicate our existing business model to cooperate with other

FUTURE PLANS AND USE OF PROCEEDS

hotel operators; (b) our Group has been actively liaising with different hotel operators to explore business opportunities. Our Directors consider that there are abundant business opportunities in the market; and (c) according to the Ipsos Report, there are ten new 5-stars hotels expected to commence operation from 2019 to 2022.

During 4M2019, our Group has obtained quotations from two 5-stars hotels, which indicated that the upfront deposits range from approximately MOP1.9 million to MOP 3.0 million, based on an average daily room rate of MOP800 to secure 80 hotel rooms per day and MOP1,000 to secure 100 hotel rooms per day, respectively. Subsequent to Track Record Period, our Group has also obtained a quotation from a 4-stars hotel, which indicated that the upfront deposits are approximately MOP0.5 million, based on an average daily room rate ranging from MOP980 to MOP1,280 to secure 15 to 16 hotel rooms per day. Considering that (i) the total number of hotel rooms covered by the aforementioned quotations is around 200 per day; and (ii) the aforementioned three hotels have indicated that they would be willing to cooperate with us, our Directors are of the view that our Group will be able to secure not less than 200 additional hotel rooms per day from the Latest Practicable Date to 31 December 2022;

- (iii) as to approximately 17.4% of the net proceeds, representing approximately HK\$6.5 million will be used for marketing and expansion of our sales channel targeting corporate and retail customers in the following manner:
 - (a) approximately HK\$1.8 million will be used for development of online sales platform. As disclosed in the paragraph headed “Business — Sales and marketing — Sales and distribution channels” in this prospectus, during the Track Record Period, we generated our revenue mainly through other travel agents and our corporate customers. Prior to the commencement of Multi-purpose Car Rental Services, our Group mainly focused on sales through business-to-business channel, and entered into various agreements with the Selected Partners and established business relationship with various travel agents, and as a result we did not incur material advertising and promotion expenses.

Considering the higher gross profit margin from sales to retail customers than that from corporate customers, our Group intends to strengthen our business-to-customer channel and to establish our brand name by engaging in more marketing activities. Our Group expects that the number of tourists visiting Macau would increase following the opening of the HZMB in October 2018. According to the Ipsos Report, the number of visitors to Macau increased by 13.8% and 21.2% for the fourth quarter of 2018 and the first quarter of 2019, respectively, comparing to the same quarters of the previous year. As such, our Directors believe that the marketing activities would be able to facilitate our intended expansion by capturing the tourists visiting Macau. In addition, as disclosed above, our Directors believe that our operating

FUTURE PLANS AND USE OF PROCEEDS

segments are complementary to each other and that our Group is operating with an integrated business model. As such, our Directors are of the view that the marketing activities can strengthen the synergy to our integrated business model and facilitate our intended expansion.

According to the Ipsos Report, online travel agents are increasingly popular because of the extended customer reach to expand sales and for end-customers to conveniently compare prices. As such, we intend to apply approximately HK\$0.8 million to engage a third-party software developer to develop our own online sales platform which offers sales and distribution of our hotel rooms and other ancillary travel-related products and service with online payment, together with a portal providing information about Macau to tourist. In the form of an app to offer an additional sales channel for our existing and potential corporate and individual customers, and approximately HK\$1.0 million between the Listing and 31 December 2022 for maintenance and upgrading of our online sales platform;

- (b) approximately HK\$1.9 million will be used for opening two service points in Macau, one in the HZMB Frontier Post at Macao Post which is the Macau landing point of the HZMB, and one in Macau Taipa Ferry Terminal. Although our revenue generated from and through Selected Partners accounted for approximately 87.4%, 82.6% and 85.2% of our total revenue and the revenue generated from direct sales through our service points accounted for approximately 7.2%, 7.3% and 6.8% of our total revenue for FY2017, FY2018 and 4M2019, our Directors believe that with our secured source of hotel rooms from certain hotels, the authorisation obtained for our Multi-purpose Car Rental Services, and our permits for crossing the HZMB, the opening of new service points at strategic locations in Macau will enable our Group to capture more business;
- (c) approximately HK2.8 million will be used on social media and search engine advertising with a view to increasing awareness of our online sales platform and to drive online enquiry to our product offerings and to produce short video for marketing purposes to promote our products and services;
- (iv) as to approximately 4.1% of the net proceeds, representing approximately HK\$1.5 million will be used for the renovation of a new office. As at 30 April 2019, we had three offices in Macau, of which the leases the Old Properties comprising two units at 10th Floor of Centro Comercial Cheng Feng in Macau will expire in October 2019. In addition, subsequent to the Track Record Period, the landlord of the Old Properties notified our Group that the landlord intended to early terminate the leases of the Old Properties. The effective dates of the early termination of the leases were 16 August 2019 and 16 September 2019, respectively. As a result, subsequent to the Track Record Period, we rented the New Properties at 9th Floor of Centro Comercial Cheng Feng in Macau. The leases of the New Properties commenced on 16 July 2019 and will expire on 15 April 2021. Considering that (i) the leases of the Old Properties were early terminated; and (ii) the Old Properties constituted two of our three offices in Macau, our Group accelerated our

FUTURE PLANS AND USE OF PROCEEDS

timeline for relocation. As a result, we have relocated to the New Properties in August 2019 before our full renovation, and will continue renovation of the New Properties in phases until November 2019. For details of the Old Properties and New Properties, please refer to the paragraph headed “Business — Properties — Leased properties” in this prospectus.

Furthermore, our current offices in Macau only have limited space as reception area and do not have sufficient number of meeting rooms for internal and external purposes. We intend to relocate our Macau offices to one single office at the New Properties to ensure better and more efficient communication by putting together our administration, marketing, management and operations functions in the same place, and to increase our total office space so that we have sufficient working place to accommodate our new staff to be recruited under the business strategy to expand our workforce. In addition, as disclosed above, our Directors believe that our operating segments are complementary to each other and that our Group is operating with an integrated business model. Relocating and merging our office can allow our Group to provide one-stop domestic travel services to our customers, bring administrative benefits, improve the working environment for our employees and allow our Group to locate our IT server centrally in support of our integrated business operations. The landlord of our existing office has confirmed in writing that it would not charge any penalty for the early termination of our existing office leases;

- (v) as to approximately 6.6% of the net proceeds, representing approximately HK\$2.4 million will be used for expansion of our workforce. We intend to hire additional staff to cope with the expansion of our business through the setting up of new service points, and enhanced marketing effort. It is our plan to hire four additional staff, who have approximately one to four years of experience in marketing experience in the travel industry, to join our sales and customer services team with a view to having sufficient manpower to improve our service quality and brand awareness through advertisements and other marketing campaigns; and
- (vi) as to approximately 2.8% of the net proceeds, representing approximately HK\$1.0 million will be used for working capital and other general corporate purposes.

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

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

FUTURE PLANS AND USE OF PROCEEDS

IMPLEMENTATION PLAN

Our implementation plans are set forth below for the period commencing from the Latest Practicable Date to 31 December 2022. Based on our business strategies, our Directors intend to carry out the following implementation plans:

From the Latest Practicable date to 31 December 2019

Business strategies	Use of proceeds (approximately)	Implementation plan
Expand our car fleet	HK\$4.4 million	Acquire eight new vehicles
	HK\$0.3 million	Recruit eight drivers and maintain salary for all new drivers recruited under the implementation plan
Increase our marketing and expansion of our sales channel	HK\$1.0 million	Marketing and promotion activities and development of an online sales platform
Improve the efficiency of our operation	HK\$1.5 million	Renovation costs of new office
Expand our workforce	HK\$0.1 million	Salary for four new staff
Total	HK\$7.3 million	

For the six months ending 30 June 2020

Business strategies	Use of proceeds (approximately)	Implementation plan
Expand our car fleet	HK\$0.8 million	Maintain salary for all new drivers recruited under the implementation plan
Cooperate with more hotel operators	HK\$3.0 million	Pay the deposits and/or bank guarantee required by hotels which enters into Hotel Rooms Guarantee Agreements with us
Increase our marketing and expansion of our sales channel	HK\$1.3 million	Marketing and promotion activities, maintenance of an online sales platform, and rental of two service points
Expand our workforce	HK\$0.4 million	Maintain salary for all new staff
Total	HK\$5.5 million	

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2020

Business strategies	Use of proceeds (approximately)	Implementation plan
Expand our car fleet	HK\$3.3 million	Acquire six new vehicles
	HK\$1.0 million	Recruit six more drivers and maintain salary for all new drivers recruited under the implementation plan
Cooperate with more hotel operators	HK\$3.0 million	Pay the deposits and/or bank guarantee required by hotels which enters into Hotel Rooms Guarantee Agreements with us
Increase our marketing and expansion of our sales channel	HK\$0.9 million	Marketing and promotion activities, maintenance of an online sales platform, and rental of two service points
Expand our workforce	<u>HK\$0.4 million</u>	Maintain salary for all new staff
Total	<u>HK\$8.6 million</u>	

For the six months ending 30 June 2021

Business strategies	Use of proceeds (approximately)	Implementation plan
Expand our car fleet	HK\$1.4 million	Maintain salary for all new drivers recruited under the implementation plan
Increase our marketing and expansion of our sales channel	HK\$0.9 million	Marketing and promotion activities, maintenance of an online sales platform, and rental of two service points
Expand our workforce	<u>HK\$0.4 million</u>	Maintain salary for all new staff
Total	<u>HK\$2.7 million</u>	

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2021

Business strategies	Use of proceeds (approximately)	Implementation plan
Expand our car fleet	HK\$3.3 million	Acquire six new vehicles
	HK\$1.6 million	Recruit six more drivers and maintain salary for all new drivers recruited under the implementation plan
Increase our marketing and expansion of our sales channel	HK\$0.9 million	Marketing and promotion activities, maintenance of an online sales platform, and rental of two service points
Expand our workforce	<u>HK\$0.4 million</u>	Maintain salary for all new staff
Total	<u>HK\$6.2 million</u>	

For the six months ending 30 June 2022

Business strategies	Use of proceeds (approximately)	Implementation plan
Expand our car fleet	HK\$2.1 million	Maintain salary for all new drivers recruited under the implementation plan
Increase our marketing and expansion of our sales channel	HK\$0.9 million	Marketing and promotion activities, maintenance of an online sales platform, and rental of two service points
Expand our workforce	<u>HK\$0.4 million</u>	Maintain salary for all new staff
Total	<u>HK\$3.4 million</u>	

For the six months ending 31 December 2022

Business strategies	Use of proceeds (approximately)	Implementation plan
Expand our car fleet	HK\$1.4 million	Maintain salary for all new drivers recruited under the implementation plan
Increase our marketing and expansion of our sales channel	HK\$0.6 million	Marketing and promotion activities, maintenance of an online sales platform, and rental of two service points
Expand our workforce	<u>HK\$0.3 million</u>	Maintain salary for all new staff
Total	<u>HK\$2.3 million</u>	

FUTURE PLANS AND USE OF PROCEEDS

In summary, the implementation plans of our Group's business objectives and strategies from Latest Practicable Date to 31 December 2022 will be funded by the net proceeds from the Share Offer as follows,

	From the Latest Practicable Date to 31 December 2019	For the six months ending						Percentage of net proceeds	
		31		31		31			
		30 June 2020	December 2020	30 June 2021	December 2021	30 June 2022	December 2022		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		Total HK\$'000
Expand our car fleet	4,672	816	4,320	1,428	4,932	2,040	1,360	19,568	52.9
Cooperate with more hotel operators	—	3,000	3,000	—	—	—	—	6,000	16.2
Increase our marketing and expansion of our sales channel	950	1,282	882	882	882	882	672	6,432	17.4
Improve the efficiency of our operation	1,528	—	—	—	—	—	—	1,528	4.1
Expand our workforce	136	408	408	408	408	408	272	2,448	6.6
General working capital	—	—	—	—	—	—	—	1,024	2.8
Total	7,286	5,506	8,610	2,718	6,222	3,330	2,304	37,000	100.0

Bases and assumptions

The implementation plan set out by our Directors is based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material changes in the funding requirement for each of future plans described in this prospectus from the amount as estimated by our Directors;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no changes in the effectiveness of the licences, permits and qualifications obtained by our Group, where applicable;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out in the section headed "Risk factors" in this prospectus.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Sole Bookrunner

Lego Securities Limited

Joint Lead Managers

Lego Securities Limited

Great Roc Capital Securities Limited

Co-Managers

Bonus Eventus Securities Limited

Canfield Securities Company Limited

First Fidelity Capital (International) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is initially offering for subscription of 30,000,000 Public Offer Shares at the Offer Price under the Public Offer, on and subject to the terms and conditions set forth in this prospectus and the Application Forms. The Public Offer Underwriters have agreed on and subject to the terms and conditions in the Public Offer Underwriting Agreement, to procure subscribers for, or failing which they shall subscribe for, the Public Offer Shares.

Subject to, among other conditions, the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus, the Public Offer Underwriters have severally, but not jointly nor jointly and severally, agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement. In addition, the Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters) shall be entitled by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect, if at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date if:

- (a) there has come to the notice of the Sole Sponsor and/or the Sole Bookrunner:

UNDERWRITING

- (i) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Public Offer Underwriting Agreement or the Placing Underwriting Agreement by any of our Company, our executive Directors and our Controlling Shareholders, or
- (ii) any statement contained in the post hearing information pack, this prospectus, the Application Forms or the formal notice of our Company or any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto) (the “**Relevant Documents**”) which, considered by the Sole Sponsor and/or the Sole Bookrunner in its/their sole and absolute discretion was, when it was issued, or has become, or been discovered to be untrue, incorrect or misleading in any material respect, or any forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms or the formal notice of our Company are not, in all material respects, fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
- (iii) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, our executive Directors and our Controlling Shareholders pursuant to the indemnities given by them under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable; or
- (iv) any breach of any of the obligations of any of our Company, our executive Directors and our Controlling Shareholders under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable; or
- (v) any of the reporting accountants of our Company, or any of the legal counsels or consultants of our Company has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (vi) approval in principle from the Stock Exchange granting the listing of, and permission to deal in, the Offer Shares, our Shares in issue and any Shares which may be issued upon the Capitalisation Issue and upon the exercise of any options which may be granted under the Share Option Scheme, is refused or not granted, on or before the listing approval date, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (vii) our Company withdraws any of this prospectus, the Application Forms or the listing application in respect of the Share Offer; or
- (viii) save as disclosed in this prospectus, any material potential litigation, legal proceeding, claim or disputes being threatened or instigated against any member of our Group or any Director, or any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from

UNDERWRITING

taking part in the management of a company or the commencement by any governmental, political or regulatory body of any action against any executive Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or

- (ix) either (a) there has been a breach of any of the representations, warranties and undertakings or any other provisions set out in the Public Offer Underwriting Agreement by any party thereto (other than the Sole Sponsor, the Sole Bookrunner and the Public Offer Underwriters); or (b) any matter or event showing or rendering any of the representations, warranties and undertakings or any other provisions set out in the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, to be untrue, incorrect, inaccurate or misleading in any material respect when given or repeated; or
- (x) any event, series of events, matter or circumstance occurs or arises on or after the date of the Public Offer Underwriting Agreement and prior to 8:00 a.m. (Hong Kong time) on the Listing Date, being an event, a series of events, matter or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner, untrue, incorrect, inaccurate or misleading in any material respect; or
- (xi) there will have developed, occurred, happened or come into effect any change or development involving a prospective change or development, or any event or series of events, matters or circumstances likely to result in or representing a change or development, or prospective change or development, concerning or relating to:
 - (a) any event, or series of events, in the nature of force majeure, including, without limitation, acts of government or orders of any courts, labour disputes, riots, strikes, calamity, crisis, public disorder, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, economic sanctions, outbreaks of infectious diseases or epidemics (including but not limited to swine influenza (H1N1 flu), severe acute respiratory syndrome and avian influenza A (H5N1) and other related or mutated forms), accidents, interruption or delay in transportation, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions (as defined below); or

UNDERWRITING

- (b) any change or development involving a prospective change, or any event or series of events, matters or circumstances resulting or likely to result in or represent any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, equity securities, credit, market, exchange control, stock market, financial market or general fund raising environment in Hong Kong or elsewhere or any monetary or trading settlement system or matters and/or disaster (including without limitation any change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar, or a material fluctuation in the exchange rate of the Hong Kong dollar or the United States dollar against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting any of the Relevant Jurisdictions (as defined below); or
- (c) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, Macau, the PRC, the Cayman Islands or the BVI or any other jurisdictions relevant to any member of our Group or the Share Offer (the “**Relevant Jurisdictions**”); or
- (d) the imposition of economic sanctions or changes in existing economic sanctions, or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (e) any change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in or affecting any of the Relevant Jurisdictions; or
- (f) any change or development involving a prospective change, or a materialization of, any of the risks in the section headed “Risk factors” in this prospectus; or
- (g) any litigation or claim of material importance being instigated or threatened against any member of our Group or any executive Director; or
- (h) an executive Director being charged with an indictable offense or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company; or
- (i) the commencement by any governmental, judicial, regulatory or political body or organization of any investigation or other action against an executive Director or any member of our Group or an announcement by any governmental, judicial, regulatory or political body or organization that it intends to take any such action; or

UNDERWRITING

- (j) any contravention by any member of our Group or any executive Director or any Controlling Shareholder of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Law, the relevant corporate laws and securities laws of Macau and the PRC, the Listing Rules, the SFO or any applicable laws and regulations; or
- (k) any prohibition on our Company for whatever reason from offering, allotting or issuing any of the Offer Shares; or
- (l) non-compliance by any member of our Group or any executive Director or any Controlling Shareholder of this prospectus (and/or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Public Offer and/or the Share Offer with the Listing Rules or any other applicable laws and regulations; or
- (m) other than with the written approval of the Sole Sponsor and/or the Sole Bookrunner, the issue or requirement to issue by our Company of a supplement or amendment to any of the Relevant Documents (and/or any other documents used in connection with the issue of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Listing Rules or any other applicable laws and regulations; or
- (n) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (o) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (p) any change or prospective change in the earnings, results of operations, business, business prospects, financial or trading position, conditions or prospects (financial or otherwise) of our Company or any member of our Group; or
- (q) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of Controlling Shareholders or any composition or arrangement made by any member of our Group or any of the Controlling Shareholders with its creditors or enters into a scheme of arrangement, or any resolution being or having been passed for the winding-up of any member of our Group or any of the Controlling Shareholders or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertaking of any member of our Group or any of the Controlling Shareholders or any analogous matter thereto occurs in respect of any member of our Group or any of the Controlling Shareholders; or

UNDERWRITING

- (r) a disruption in or any general moratorium on commercial banking activities or foreign exchange trading or securities settlement or payment or clearance services or procedures in or affecting any of the Relevant Jurisdictions; or
- (s) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange, or minimum or maximum prices for trading having been fixed, or minimum or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any regulatory or governmental authority,
- (t) any matter that has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, would have constituted, in the sole and absolute discretion opinion of the Sole Sponsor and/or the Sole Bookrunner, a material omission from the Relevant Documents in the context of the Share Offer; or

and which, with respect to any of sub-paragraphs (a) through (o) above, in the sole and absolute opinion of the Sole Sponsor and/or the Sole Bookrunner (for itself and on behalf of the Public Offer Underwriters):

- (A) is, will be or may have any material adverse effect or any development involving a prospective material adverse effect, in or affecting the business, general affairs, management, prospects, assets and liabilities, financial position (including, but not limited to, revenue and net profits), shareholders' equity or results of operations of our Group Companies, taken as a whole or be materially adverse to any present or prospective shareholder of our Company in its capacity as such; or
- (B) has, will have or may have a material adverse effect on the success of the Share Offer or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or make it impracticable, inadvisable or inexpedient for any material part of the Public Offer Underwriting Agreement, the Placing Underwriting Agreement, the Public Offer or the Share Offer to be performed or implemented as envisaged; or
- (C) makes or may make it impracticable, inadvisable or inexpedient to proceed with or to market the Public Offer and/or the Share Offer or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice of our Company; or
- (D) would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof,

UNDERWRITING

then the Sole Sponsor and/or the Sole Bookrunner, in its sole and absolute discretion, may, for itself and on behalf of the Public Offer Underwriters, upon giving notice to our Company, our executive Directors and our Controlling Shareholders made pursuant to the Public Offer Underwriting Agreement on or prior to 8:00 a.m. on the Listing Date (with a copy of such notice to the other Public Offer Underwriters), terminate the Public Offer Underwriting Agreement with immediate effect.

Indemnity

Our Company, our Controlling Shareholders and our executive Directors, have agreed to indemnify the Public Offer Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Public Offer Underwriting Agreement and any breach by us of the Public Offer Underwriting Agreement.

UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE GEM LISTING RULES

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that (except pursuant to the Capitalisation Issue, the Share Offer and options to be granted under the Share Option Scheme) no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that except pursuant to the Capitalisation Issue, Share Offer and options to be granted under the Share Option Scheme, it will not and will procure that the relevant registered holder(s) will not: (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months after the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this prospectus to be the beneficial owner; and (b) in the period of 12 months commencing on the date on which the period referred to in the paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company. Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholder has undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 24 months from the date on which dealings in our Shares commence on the Stock Exchange, it will: (i) when it pledges or charges any Shares beneficially owned by it in

UNDERWRITING

favour of an authorised institution pursuant to Rule 13.18 of the GEM Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

UNDERTAKINGS PURSUANT TO THE PUBLIC OFFER UNDERWRITING AGREEMENT

Undertaking by our Company

Except pursuant to the Capitalisation Issue, the Share Offer and options to be granted under the Share Option Scheme, during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company has undertaken to each of the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Bookrunner (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

- (i) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of our affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period).

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the six-month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

UNDERWRITING

Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has also undertaken to each of our Company, the Sole Bookrunner, the Joint Lead Managers, the Public Offer Underwriters and the Sole Sponsor that, (i) save as pursuant to the Capitalisation Issue, Share Offer and options to be granted under the Share Option Scheme; or (ii) permitted under the GEM Listing Rules, without the prior written consent of the Sole Bookrunner (such consent not to be unreasonably withheld or delayed) and the Sole Sponsor:

- (i) he/it will not, at any time in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in the prospectus and ending on the date which is 12 months after the Listing date (the “**First 12-Month Period**”), sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or enter into any transaction with the same economic effect as any transaction specified above, or offer to or agree to or announce any intention to effect any transaction specified above, in each case, whether any of the transactions specified above is to be settled by delivery of Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (ii) he/it will not, in the period of 12 months commencing on the date on which the First 12-Month Period expires, (the “**Second 12-Month Period**”), enter into any of the transactions specified in (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as defined in the GEM Listing Rules) of our Company; and
- (iii) without prejudice to the undertakings as referred to in paragraphs (i) and (ii) above, during the period commencing on the date by reference to which disclosure of its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it shall:
 - (a) when he/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the

UNDERWRITING

Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sole Sponsor, the Sole Bookrunner and/or the Joint Lead Managers; and

- (b) subsequent to the pledge or charge or creation of rights or encumbrances over our Shares (or interest therein) or other shares or interests as mentioned in subparagraph (a) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (a) above will be disposed of, immediately inform our Company of such indications, and inform the Sole Sponsor, the Sole Bookrunner and the Joint Lead Managers as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Placing

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company and Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to procure subscribers and purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 270,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, our Share Offer will not proceed. The Placing Underwriting Agreement is conditional on and subject to the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Public Offer Underwriting Agreement” in this section above.

UNDERWRITING

Commission and expenses

The Public Offer Underwriters will, and the Placing Underwriters are expected to, receive an underwriting commission of 6.0% of the aggregate Offer Price payable for all the Offer Shares in accordance with the terms of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement, out of which they may pay any sub-underwriting commission in connection with the Share Offer. Based on the Offer Price of HK\$0.22 per Offer Share (being the mid-point of the indicative range of the Offer Price), the aggregate commission and fees payable to the Underwriters, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fees, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated to amount to approximately HK\$29.0 million in total.

SOLE SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Sole Sponsor will receive a documentation fee. The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set forth under the paragraph headed "Commission and expenses" in this section above.

We have appointed Lego Corporate Finance Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

Save as disclosed above, none of the Sole Sponsor and the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group or has any interest in the Share Offer.

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Share Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DETERMINING THE OFFER PRICE

The Offer Price is expected to be fixed by the Price Determination Agreement to be entered into between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on or around Wednesday, 18 September 2019.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lowered than the indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK\$0.24 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, not later than the morning of the last day for lodging applications under the Public Offer.

The Sole Bookrunner (for itself and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of the Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the Price Determination Date, which is expected to be on or around Wednesday, 18 September 2019. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.yinghaiholding.com an announcement of such change on or before the Price Determination Date. In addition, we will:

- (i) issue a supplemental prospectus updating investors of the reduction in the indicative Offer Price together with an update of all financial and other information in connection with such change;
- (ii) extend the period under which the offer was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (iii) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

Upon issue of such an announcement and supplemental prospectus, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such an announcement and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Applicants who have submitted their applications for Public Offer Shares before such announcement is made may subsequently withdraw their applications in the event that such announcement is subsequently made. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company will under no circumstances be set outside the offer price range as stated in this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before Tuesday, 24 September 2019, the Share Offer will not proceed and will lapse.

Announcement of the final Offer Price, together with the level of indication of interests in the Placing and the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on or before Wednesday, 25 September 2019.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.24 per Offer Share and is expected to be not less than HK\$0.20 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.24 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,424.18 per board lot of 10,000 Offer Shares.

If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.24 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

Further details are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, among others, the satisfaction of all of the following conditions:

1. Listing

The Stock Exchange granting the approval of the listing of, and permission to deal in, our Shares in issue and our Shares to be issued pursuant to the Capitalisation Issue and the Share Offer and Shares which fall to be allotted and issued (and such listing and permission not subsequently being revoked prior to the commencement of dealings in our Shares on the Stock Exchange).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

2. Underwriting Agreements

The obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of a waiver of any condition(s)) and such obligations not being terminated in accordance with the terms of the Underwriting Agreements.

3. Price determination

The Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date or such later date as may be agreed by our Company and the Sole Bookrunner (for itself and on behalf of the Underwriters).

If any of the conditions is not fulfilled or waived on or before the times specified above, the Share Offer will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed “How to apply for the Public Offer Shares — 13. Despatch/collection of Share certificates and refund monies” in this prospectus.

THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of 300,000,000 Offer Shares will be made available under the Share Offer, which consisted of: (i) 270,000,000 Placing Shares (subject to reallocation), representing 90% of the Offer Shares, will initially be conditionally placed with selected professional, institutional and private investors under the Placing; and (ii) 30,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer. The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters will underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting are set out in the section headed “Underwriting” in this prospectus.

Investors may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

The Placing

Our Company is expected to offer initially 270,000,000 Placing Shares (subject to reallocation) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” in this section above.

The Public Offer

Our Company is initially offering 30,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$0.24 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investor. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

Multiple applications or suspected multiple applications and any application made for more than 100% of our Shares initially comprised in the Public Offer (i.e. 30,000,000 Public Offer Shares) are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is over-subscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Sole Bookrunner (for itself and on behalf of the Underwriters), at its absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed and the number of Shares validly applied for under the Public Offer represents less than 15 times of the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer;
 - (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times of the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the total number of Offer Shares available for subscription under the Public Offer will be increased to 90,000,000 Shares, representing 30% of the total number of the Offer Shares initially available for subscription under the Share Offer;
 - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times of the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the number of Offer Shares available for subscription under the Public Offer will be increased to 120,000,000 Shares, representing 40% of the total number of the Offer Shares initially available for subscription under the Share Offer; and

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (v) if the number of Shares validly applied for under the Public Offer represents 100 times or more of the number of Shares initially available for subscription under the Public Offer, then the number of Shares to be reallocated to the Public Offer from the Placing will increase so that the number of Shares available for subscription under the Public Offer will be increased to 150,000,000 Shares, representing 50% of the total number of the Offer Shares initially available for subscription under the Share Offer.
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
 - (i) if the Public Offer Shares are undersubscribed, the Share Offer shall not proceed unless fully underwritten by the Underwriters pursuant to the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then the number of Shares to be reallocated to the Public Offer from the Placing will increase, so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 20% of the total number of Offer Shares initially available for subscription under the Share Offer.

In all cases save for (a)(i) and (b)(i) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Bookrunner (for itself and on behalf of the Underwriters). In accordance with the requirements set out in Guidance Letter HKEx-GL91-18, if such reallocation is done other than pursuant to paragraph (a)(iii), (a)(iv) or (a)(v) above, the Sole Bookrunner (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the Offer Shares initially allocated for the Placing to the Public Offer to satisfy valid applications under the Public Offer, provided that the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer i.e. 60,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer. Details of any reallocation of the Offer Shares between the Public Offer and the Placing will be disclosed in the allotment results announcement of the Share Offer, which is expected to be published on Wednesday, 25 September 2019.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a U.S. person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any of its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- are a connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- are an associate (as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, either (i) use a **YELLOW** Application Form; or (ii) give **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 13 September 2019 until 12:00 noon on Wednesday, 18 September 2019 from:

- (a) any of the following offices of the Underwriters:

Name	Address
Lego Securities Limited	Room 301, 3/F, China Building, 29 Queen's Road Central, Central, Hong Kong
Great Roc Capital Securities Limited	44/F, Convention Plaza Office Tower, 1 Harbour Road, Wan Chai, Hong Kong
Bonus Eventus Securities Limited	Room 1206, 12/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong
Canfield Securities Company Limited	Unit 4201-05, COSCO Tower, 183 Queen's Road Central, Hong Kong
First Fidelity Capital (International) Limited	Room 908-909, 9/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (b) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited, the receiving bank for the Public Offer:

District	Branch Name	Address
Hong Kong Island	Central Branch	1/F, 9 Queen's Road Central, Hong Kong
Kowloon	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon
New Territories	Tsuen Wan Castle Peak Road Branch	G/F, 423-427 Castle Peak Road, Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 13 September 2019 until 12:00 noon on Wednesday, 18 September 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited — Ying Hai Group Holdings Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 13 September 2019 — 9:00 a.m. to 5:00 p.m.
Monday, 16 September 2019 — 9:00 a.m. to 5:00 p.m.
Tuesday, 17 September 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, 18 September 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 18 September 2019, the last day for application or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the application lists" in this section below.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Forms carefully; otherwise, your application may be rejected.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

By submitting a **WHITE** or **YELLOW** Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or our agents to send any Share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters, any of their respective directors, officers or representatives or any other person or parties involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Additional instructions for Yellow Application Form

You should refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Public Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the relevant Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for inputting electronic application instructions¹

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 13 September 2019 — 9:00 a.m. to 8:30 p.m.
Monday, 16 September 2019 — 8:00 a.m. to 8:30 p.m.
Tuesday, 17 September 2019 — 8:00 a.m. to 8:30 p.m.
Wednesday, 18 September 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 13 September 2019 until 12:00 noon on Wednesday, 18 September 2019 (24 hours daily, except on Wednesday, 18 September 2019, the last application day).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 18 September 2019, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section below.

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/ or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Bookrunner, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** Application Form or **YELLOW** Application Form or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 18 September 2019.

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"*Unlisted company*" means a company with no equity securities listed on the Stock Exchange.

"*Statutory control*" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for our Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the paragraph headed “Structure and conditions of the Share Offer — Determining the Offer Price” of this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 18 September 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 18 September 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 25 September 2019 on the websites of our Company at www.yinghaiholding.com and the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at www.yinghaiholding.com and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Wednesday, 25 September 2019;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a “search” function on a 24-hour basis from 8:00 a.m. on Wednesday, 25 September 2019 to 12:00 midnight on Tuesday, 1 October 2019;
- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 25 September 2019 to Monday, 30 September 2019 (excluding Saturday, Sunday and Hong Kong Public Holiday); and
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 25 September 2019 to Friday, 27 September 2019 at all the receiving bank’s designated branches as set out in paragraph headed “Where to collect the Application Forms” in this section above.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day in the following circumstances:

- (i) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus; or
- (ii) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Bookrunner, the Joint Lead Managers and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up or indicated an interest for, or have been or will be placed or allocated, (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.24 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Share Offer as set out in the paragraph headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 25 September 2019.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Form, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Wednesday, 25 September 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 26 September 2019, provided that the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised and the Share Offer has become unconditional. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from our Hong Kong Branch Share Registrar at Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 25 September 2019 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 25 September 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of your refund cheque(s). If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, 25 September 2019, by ordinary post and at your own risk.

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 25 September 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "10. Publication of results" in this section above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 25 September 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply by giving electronic application instructions to HKSCC via CCASS

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 25 September 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares in the manner specified

HOW TO APPLY FOR THE PUBLIC OFFER SHARES

in the paragraph headed “10. Publication of results” in this section above on Wednesday, 25 September 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 25 September 2019 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 25 September 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 25 September 2019.

15. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

13 September 2019

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF THE COMPANY AND LEGO CORPORATE FINANCE LIMITED

Introduction

We report on the historical financial information of Ying Hai Group Holdings Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”), which comprises the statement of financial position of the Company at 31 December 2018 and at 30 April 2019 and the consolidated statements of financial position of the Group at 31 December 2017 and 2018 and at 30 April 2019, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2018 and 2019 and the four months ended 30 April 2019 (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). This Historical Financial Information set out on pages I-4 to I-79 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 13 September 2019 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Report on Historical Financial Information in*

Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosure in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s financial position as at 31 December 2017 and 2018 and 30 April 2019, of the Company’s financial position as at 31 December 2018 and 30 April 2019 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation as set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express

an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contain information about the dividends declared by the Group in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 13 September 2019

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on the consolidated financial statements of the Group for the Track Record Period, which have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (collectively known as “**Underlying Financial Statements**”)

The Historical Financial Information is presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) unless otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Years ended 31 December		Four months ended 30 April	
		2017	2018	2018	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Revenue	7	117,628	165,662	53,265	62,157
Cost of sales		<u>(90,848)</u>	<u>(130,974)</u>	<u>(41,129)</u>	<u>(48,608)</u>
Gross profit		26,780	34,688	12,136	13,549
Other gain and income	9	190	18	—	383
Administrative expenses		(6,067)	(10,005)	(3,028)	(4,888)
Listing expenses		—	(5,828)	—	(5,500)
Finance costs	10	<u>(2)</u>	<u>(10)</u>	<u>(3)</u>	<u>(48)</u>
Profit before tax	11	20,901	18,863	9,105	3,496
Income tax expenses	13	<u>(2,665)</u>	<u>(2,587)</u>	<u>(1,194)</u>	<u>(603)</u>
Profit for the year/period		<u>18,236</u>	<u>16,276</u>	<u>7,911</u>	<u>2,893</u>
Other comprehensive income/(loss)					
<i>Items that may be reclassified</i>					
<i>subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements		<u>194</u>	<u>(216)</u>	<u>145</u>	<u>70</u>
Total comprehensive income for the year/period		<u>18,430</u>	<u>16,060</u>	<u>8,056</u>	<u>2,963</u>
Profit for the year/period attributable to:					
Owner of the Company		18,218	16,276	7,911	2,893
Non-controlling interests		<u>18</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>18,236</u>	<u>16,276</u>	<u>7,911</u>	<u>2,893</u>
Total comprehensive income for the year/period attributable to:					
Owner of the Company		18,407	16,060	8,056	2,963
Non-controlling interests		<u>23</u>	<u>—</u>	<u>—</u>	<u>—</u>
		<u>18,430</u>	<u>16,060</u>	<u>8,056</u>	<u>2,963</u>

Details of dividends declared to owner of the Company are set out in Note 14 to the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At
		2017	2018	30 April
	Notes	HK\$'000	HK\$'000	2019
				HK\$'000
Non-current assets				
Property, plant and equipment	16	6,668	17,573	15,706
Right-of-use assets	17	—	—	2,407
Non-current deposits paid	19	647	796	796
Deferred tax asset	18	—	56	11
		<u>7,315</u>	<u>18,425</u>	<u>18,920</u>
Current assets				
Trade receivables, deposits and prepayments	19	19,482	21,351	29,661
Amounts due from related companies	20	7,572	10,816	—
Amount due from a related party	20	15	—	—
Amount due from a director	20	6,254	2,849	1,945
Bank deposits with original maturity over three months	21	253	2,511	5,154
Cash and cash equivalents	22	<u>5,898</u>	<u>10,553</u>	<u>14,291</u>
		<u>39,474</u>	<u>48,080</u>	<u>51,051</u>
Current liabilities				
Trade and other payables	23	13,891	14,589	19,632
Lease liabilities	17	—	—	1,454
Amount due to a related company	20	—	2,844	—
Amount due to a director	20	—	147	147
Tax payables		2,700	2,968	3,372
Borrowings	24	<u>484</u>	<u>—</u>	<u>1,440</u>
		<u>17,075</u>	<u>20,548</u>	<u>26,045</u>
Net current assets		<u>22,399</u>	<u>27,532</u>	<u>25,006</u>
Total assets less current liabilities		<u>29,714</u>	<u>45,957</u>	<u>43,926</u>

APPENDIX I**ACCOUNTANTS' REPORT**

		At 31 December		At
		2017	2018	30 April
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities				
Lease liabilities	17	—	—	946
Borrowings	24	—	—	2,943
		—	—	3,889
Net assets		<u>29,714</u>	<u>45,957</u>	<u>40,037</u>
Capital and reserves				
Share capital	25	1,584	3,011	—
Reserves	26	<u>28,130</u>	<u>42,946</u>	<u>40,037</u>
Equity attributable to owner of the Company		29,714	45,957	40,037
Non-controlling interests	32	—	—	—
Total equity		<u>29,714</u>	<u>45,957</u>	<u>40,037</u>

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

		At 31 December 2018 <i>HK\$'000</i>	At 30 April 2019 <i>HK\$'000</i>
	<i>Note</i>		
Non-current asset			
Investments in subsidiaries		—	1
Current asset			
Amounts due from subsidiaries		—	14,791
Current liability			
Amount due to a subsidiary		—	14,440
Net current assets		—	351
Total assets less current liabilities		—	352
Net assets		—	352
Capital and reserve			
Share capital	25	—	—
Retained earnings		—	352
Total equity		—	352

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owner of the Company							
	Share capital	Merger reserve	Statutory reserve	Translation reserve	Retained earnings		Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Sub-total	HK\$'000	HK\$'000
		(Note 26)	(Note 26)	(Note 26)				
At 1 January 2017	2,839	—	728	(64)	9,197	12,700	282	12,982
Profit for the year	—	—	—	—	18,218	18,218	18	18,236
Other comprehensive income:								
Exchange differences arising from translation of financial statements	—	—	—	189	—	189	5	194
Total comprehensive income for the year	—	—	—	189	18,218	18,407	23	18,430
Acquisition of additional interest in a subsidiary (Note 27)	—	—	—	—	(204)	(204)	(305)	(509)
Effect of reorganisation (Note 27)	(1,255)	—	—	66	—	(1,189)	—	(1,189)
Appropriation of reserve	—	—	31	—	(31)	—	—	—
At 31 December 2017	1,584	—	759	191	27,180	29,714	—	29,714
Application of HKFRS 9 (Note 3)	—	—	—	—	(370)	(370)	—	(370)
At 1 January 2018 (as restated)	1,584	—	759	191	26,810	29,344	—	29,344
Profit for the year	—	—	—	—	16,276	16,276	—	16,276
Other comprehensive loss:								
Exchange differences arising from translation of financial statements	—	—	—	(216)	—	(216)	—	(216)
Total comprehensive (loss)/income for the year	—	—	—	(216)	16,276	16,060	—	16,060
Capital injection into subsidiaries	1,427	—	—	—	—	1,427	—	1,427
Appropriation of reserve	—	—	42	—	(42)	—	—	—
Dividend declared (Note 14)	—	—	—	—	(874)	(874)	—	(874)
At 31 December 2018	3,011	—	801	(25)	42,170	45,957	—	45,957
Application of HKFRS 16 (Note 3)	—	—	—	—	8	8	—	8
At 1 January 2019 (as restated)	3,011	—	801	(25)	42,178	45,965	—	45,965

APPENDIX I

ACCOUNTANTS' REPORT

	Attributable to owner of the Company						Non-	
	Share capital	Merger reserve	Statutory reserve	Translation reserve	Retained earnings	Sub-total	controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note 26)	(Note 26)	(Note 26)				
Profit for the period	—	—	—	—	2,893	2,893	—	2,893
Other comprehensive income:								
Exchange differences arising from translation of financial statements	—	—	—	70	—	70	—	70
Total comprehensive income for the period	—	—	—	70	2,893	2,963	—	2,963
Effect of reorganisation (Note 2)	(3,011)	3,011	—	—	—	—	—	—
Dividend declared (Note 14)	—	—	—	—	(8,891)	(8,891)	—	(8,891)
At 30 April 2019	<u>—</u>	<u>3,011</u>	<u>801</u>	<u>45</u>	<u>36,180</u>	<u>40,037</u>	<u>—</u>	<u>40,037</u>
At 1 January 2018 (as restated)	1,584	—	759	191	26,810	29,344	—	29,344
Profit for the period	—	—	—	—	7,911	7,911	—	7,911
Other comprehensive income:								
Exchange differences arising from translation of financial statements	—	—	—	145	—	145	—	145
Total comprehensive income for the period	—	—	—	145	7,911	8,056	—	8,056
At 30 April 2018 (unaudited)	<u>1,584</u>	<u>—</u>	<u>759</u>	<u>336</u>	<u>34,721</u>	<u>37,400</u>	<u>—</u>	<u>37,400</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years ended		Four months ended	
		31 December		30 April	
		2017	2018	2018	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Cash flows from operating activities					
Profit before tax		20,901	18,863	9,105	3,496
Adjustments for:					
Finance costs	10	2	10	3	48
Impairment loss on trade receivables, net of reversal	11	—	47	—	—
Reversal of impairment loss on trade receivables, net of impairment	9	—	—	—	(367)
Reversal of impairment loss on amounts due from related companies, net of impairment	9	—	—	—	(4)
Reversal of impairment loss on amount due from a director, net of impairment	9	—	—	—	(2)
Loss on early repayment of unsecured loan	24	—	89	—	—
Loss on disposal of property, plant and equipment	11	—	50	—	75
Depreciation of property, plant and equipment	11	1,602	3,657	671	1,381
Depreciation of right-of-use assets	11	—	—	—	674
Government grant	31	(101)	—	—	—
Interest income	9	(3)	(9)	—	—
Operating cash flows before movements in working capital		22,401	22,707	9,779	5,301
(Increase)/decrease in trade receivables, deposits and prepayments		(11,896)	(2,477)	217	(8,060)
Increase in amount due from immediate holding company		—	—	—	(8,891)
(Increase)/decrease in amounts due from related companies		(2,191)	(3,538)	(3,600)	10,816
Decrease in amount due from a related party		—	15	—	—
(Increase)/decrease in amount due from a director		(7,952)	2,914	(7,373)	919
Increase in trade and other payables		2,190	2,736	9,970	5,046
Increase/(decrease) in amount due to a related company		—	2,844	2,844	(2,844)
(Decrease)/increase in amount due to a director		(2,166)	147	—	—

APPENDIX I
ACCOUNTANTS' REPORT

		Years ended		Four months ended	
		31 December		30 April	
		2017	2018	2018	2019
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(unaudited)</i>	
Cash generated from operations		386	25,348	11,837	2,287
Tax paid		(1,414)	(2,333)	(78)	(154)
Net cash (used in)/generated from operating activities		(1,028)	23,015	11,759	2,133
Cash flows from investing activities					
Deposits received for disposal of property, plant and equipment		2,961	—	—	—
Proceed from disposal of property, plant and equipment		—	1,527	—	981
Purchase of property, plant and equipment		(4,589)	(18,189)	(8,043)	(570)
Placement of bank deposits with original maturity over three months		(253)	(2,252)	—	(2,643)
Interest received		3	3	—	—
Net cash used in investing activities		(1,878)	(18,911)	(8,043)	(2,232)
Cash flows from financing activities					
Proceed from borrowings	24	583	—	—	4,500
Repayment of borrowings	24	—	(583)	—	(117)
Payment of lease liabilities		—	—	—	(545)
Interest paid		—	—	—	(49)
Capital injection into subsidiaries		—	1,427	—	—
Net cash generated from financing activities		583	844	—	3,789
Net (decrease)/increase in cash and cash equivalents		(2,323)	4,948	3,716	3,690
Cash and cash equivalents at the beginning of the year/period		8,035	5,898	5,898	10,553
Effect of foreign exchange rate changes		186	(293)	39	48
Cash and cash equivalents at the end of the year/period	22	<u>5,898</u>	<u>10,553</u>	<u>9,653</u>	<u>14,291</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 18 December 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company's registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The principal place of business of the Company is Room 1201, 12th Floor, Dawning House, 145 Connaught Road Central, Hong Kong. The Company's immediate and ultimate holding company is Silver Esteem Limited, a company incorporated in the British Virgin Islands ("BVI") with limited liability.

The Company is an investment holding company and its subsidiaries are principally engaged in sales and distribution of air tickets and hotel rooms, sales and provision of ancillary travel-related products and services and provision of vehicle leasing and limousine services in Macau.

The functional currency of the Group is Macau Pataca ("MOP"). The Historical Financial Information is presented in HK\$ for the convenience of the investors as the Company is seeking to list its shares on GEM of the Stock Exchange. All values are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5, *Merger Accounting for Common Control Combinations* issued by the HKICPA.

Pursuant to the reorganisation carried out by the Group as fully explained in the paragraph headed "History, development and Reorganisation — Reorganisation" in this Prospectus (the "**Reorganisation**"), the Company becomes the holding company of the companies now comprising the Group on 8 March 2019. Immediately prior to and after the Reorganisation, the companies now comprising the Group was controlled by the Mr. Choi Wai Chan ("**Mr. Choi**"). The Reorganisation is merely a reorganisation of the Group with no change in management of such business and the ultimate owner of the business. Accordingly, the Historical Financial Information has been prepared by applying the principles of merger accounting as prescribed in Accounting Guideline 5, *Merger Accounting for Common Control Combinations* issued by the HKICPA, as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the controlling shareholders, whichever is a shorter period. The consolidated statements of

financial position of the Group at 31 December 2017 and 2018 and 30 April 2019 have been prepared to present the assets and liabilities of the subsidiaries using the existing carrying amounts of the principal business of the Group for all Track Record Period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

All intra-group transactions and balances have been eliminated on combination in full.

Upon completion of the Reorganisation and at the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name of subsidiary	Country/place and date of incorporation	Class of shares held	Issued and fully paid share capital/registered capital	Equity interest held			at the date of this report	Principal activities
				at 31 December 2017	at 31 December 2018	at 30 April 2019		
				%	%	%	%	
Directly held:								
Endless Luck Global Limited (i)	BVI/ 9 October 2018	Ordinary	US\$400	—	100.0	100.0	100.0	Investment holding
Indirectly held:								
Ample Coral Limited (i)	BVI/ 15 October 2018	Ordinary	US\$1	—	100.0	100.0	100.0	Investment holding
Brilliant Town Limited (i)	BVI/ 10 October 2018	Ordinary	US\$1	—	100.0	100.0	100.0	Investment holding
C U Macau Tourism Company Limited (formerly known as “C U Macau Company Limited”) (i)	Macau/ 9 December 2016	Quota capital	MOP1,500,000	100.0	100.0	100.0	100.0	Provision of travel information
Max Rank Limited (i)	BVI/ 28 September 2018	Ordinary	US\$1	—	100.0	100.0	100.0	Investment holding
Ying Hai Interurban Passenger Road Transport Company Limited (i)	Macau/ 5 October 2018	Quota capital	MOP5,000,000	—	100.0	100.0	100.0	Inactive
Ying Hai Rent-A-Car Service Company Limited	Hong Kong/ 29 November 2018	Ordinary	HK\$100	—	100.0	100.0	100.0	Inactive
Ying Hai Rent-A-Car Service Company Limited (formerly known as “Win High Rent-A-Car Service Company Limited”) (i)	Macau/ 19 May 2015	Quota capital	MOP100,000	100.0	100.0	100.0	100.0	Provision of car rental services
Ying Hai Tourism Company Limited (formerly known as “Ying Hai Entertainment Group Limited” and “Win High Entertainment Group Limited”) (ii)	Hong Kong/ 20 May 2016	Ordinary	HK\$1,000	99.9	99.9	100.0	100.0	Back office of the Group
Ying Hai Tourism Company Limited (formerly known as “Win High Tourism Limited”) (“Ying Hai Tourism (Macau)”) (i)	Macau/ 28 February 2014	Quota capital	MOP1,500,000	100.0	100.0	100.0	100.0	Provision of travel agent services

Name of subsidiary	Country/place and date of incorporation	Class of shares held	Issued and fully paid share capital/registered capital	Equity interest held				Principal activities
				at 31 December		at 30 April	at the date of this report	
				2017	2018	2019		
				%	%	%	%	
Zhuhai Laiqu Information Technology Company Limited (珠海來去資訊科技有限公司) (iv)(v)	The People's Republic of China (the "PRC")/ 9 April 2018	Registered	RMB10,000	—	—	—	—	Deregistered
Zhuhai Ying Hai Corporate Planning Company Limited (珠海瀛海企業策劃有限公司) ("Zhuhai Ying Hai") (iii)(iv)(v)	The PRC/ 13 November 2015	Registered	RMB3,800,000	70.0	100.0	100.0	100.0	Back office of the Group

Notes:

- (i) No statutory financial statements have been prepared as there is no statutory requirement in the place of incorporation.
- (ii) The statutory financial statements for the year ended 31 December 2017 and 2018 prepared under HKFRSs were audited by HLB Hodgson Impey Cheng Limited, certified public accountants registered in Hong Kong.
- (iii) The statutory financial statements for the year ended 31 December 2017 and 2018 were prepared in accordance with the PRC generally accepted accounting principles and were audited by Guangzhou Hengyue Certified Public Accountants Co., Ltd (廣州恆越會計師事務所有限公司) and Zhuhai Dehong Certified Public Accountants Co., Ltd (珠海德鴻會計師事務所有限公司) respectively, certified public accountants registered in the PRC.
- (iv) The English name is for identification purposes only.
- (v) Wholly foreign-owned enterprise

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied all HKFRSs, Hong Kong Accounting Standards ("HKASs"), amendments and interpretations which are effective for the Group's financial year beginning on 1 January 2019 (the "new and revised HKFRSs") consistently throughout the Track Record Period, including HKFRS 15 *Revenue from Contracts with Customers*, except that the Group applied HKFRS 9 *Financial Instruments* and HKFRS 16 *Leases* on 1 January 2018 and 1 January 2019 respectively, and applied HKAS 39 *Financial Instruments: Recognition and Measurement* and HKAS 17 *Leases* for the year ended 31 December 2017 and 2018 respectively.

HKFRS 9 *Financial Instruments*

During the year ended 31 December 2018 and the four months ended 30 April 2019, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9, i.e. applied the classification and measurement requirement (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initiate application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference, if any, between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 4 to the Historical Financial Information.

Summary of effects arising from initial application of HKFRS 9

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

The table below illustrates the impairment of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Amortised cost (previously classified as loans and receivables) HK\$'000	Deferred tax HK\$'000	Retained earnings HK\$'000
Closing balance at 31 December 2017	39,243	—	27,180
Effect arising from initial application of HKFRS 9:			
Remeasurement			
- Impairment under ECL	<u>(420)</u>	<u>50</u>	<u>(370)</u>
Opening balance at 1 January 2018	<u>38,823</u>	<u>50</u>	<u>26,810</u>

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables, other receivables and amount(s) due from related companies/a related party/a director have been assessed individually for significant balances or collectively using a provision matrix based appropriate grouping on shared credit risk characteristics of customers from different operating segments.

Loss allowances for other financial assets at amortised cost, which mainly comprise of amount(s) due from related companies/a related party/a director, bank deposits with original maturity over three months and bank balances, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The ECL for bank deposits with original maturity over three months and bank balances is insignificant because such assets are placed in banks with good reputation and high credit ratings assigned by international credit-rating agents. Therefore, the exposure of default is low.

At 1 January 2018, additional credit loss allowance is charged against trade receivables and amount(s) due from related companies/a related party/a director of approximately HK\$420,000 in total and the impact on deferred tax of approximately HK\$50,000 have been recognised against retained earnings.

All loss allowances for trade receivables and amount(s) due from related companies/a related party/a director at amortised cost as at 31 December 2017 reconcile to opening loss allowances at 1 January 2018 are as follows:

	Trade receivables	Other financial assets at amortised cost
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2017 — under HKAS 39	—	—
Amounts remeasured through opening retained earnings	<u>414</u>	<u>6</u>
At 1 January 2018 — under HKFRS 9	<u><u>414</u></u>	<u><u>6</u></u>

HKFRS 16 Leases

During the four months ended 30 April 2019, the Group has applied HKFRS 16 and the related consequential amendments to other HKFRSs which resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 16, the Group has elected to apply the new standard retrospectively with the cumulative effect of initial application recognised at 1 January 2019.

Before the application of HKFRS 16, commitments under operating leases for future periods were not recognised by the Group as liabilities. Operating lease rental expenses were recognised in profit or loss over the lease period on a straight-line basis.

Upon application of HKFRS 16, the Group recognised the full lease liabilities in relation to leases which had previously been classified as operating leases if they meet certain criteria set out in HKFRS 16. These liabilities were subsequently measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or the incremental borrowing rate of respective entities if the interest rate implicit to the lease cannot be determined.

At the inception of a contract that contain a lease component, as a lessee, the Group should allocate the consideration in the contract to each lease component on the basis of their relative stand-alone price. The Group, as a lessee, assessed its leases for non-lease components and separated non-lease component from lease components for certain classes of assets if the non-lease components are material.

The associated right-of-use assets were measured at the amount equal to the initial measurement of lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Depreciation is charged on a straight-line basis over the shorter of the lease term or the asset's useful life.

Summary of effects arising from initial application of HKFRS 16

The table below illustrates effect of HKFRS 16 at the date of initial application, 1 January 2019.

	Right-of- use assets	Interest payable	Lease liabilities	Retained earnings
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Closing balance at 31 December 2018	—	—	—	42,170
Effect arising from initial application of HKFRS 16:				
Remeasurement	<u>2,966</u>	<u>(7)</u>	<u>(2,951)</u>	<u>8</u>
Opening balance at 1 January 2019	<u><u>2,966</u></u>	<u><u>(7)</u></u>	<u><u>(2,951)</u></u>	<u><u>42,178</u></u>

When measuring lease liabilities for leases that were classified as operating leases, the Group discount future lease payments using the interest rate implicit to the lease or the incremental borrowing rate at the date of commencement of the respective leases. The rate applied range from 2.29% to 5.22%.

	At 1 January 2019
	<i>HK\$'000</i>
Operating lease commitment at 31 December 2018 (<i>Note 28</i>)	<u><u>3,108</u></u>
Discounted using the interest rate implicit to the leases:	
Lease liabilities recognised	<u><u>2,951</u></u>

The Group has not early adopted the following new and revised HKFRSs, which have been issued but are not yet effective.

HKFRS 3 (Amendments)	Definition of a Business ¹
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 17	Insurance Contracts ³
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ²

¹ Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors do not anticipate that the application of new and revised HKFRSs issued but not yet effective will have a material impact on the Group's financial performance and financial positions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs, which is a collective term includes all applicable individual HKFRSs, HKASs and related interpretations issued by the HKICPA. This Historical Financial Information also complies with the applicable disclosure required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

The Historical Financial Information has been prepared under the historical cost basis.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expense of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owner of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owner of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under common control of the controlling entity.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over costs at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, whichever is a shorter period, regardless of the date of the common control combination.

Changes in ownership interests in subsidiaries without changes in control

Transactions with non-controlling interests that do not result in changes in control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity.

Investments in subsidiaries

Investments in subsidiaries included in the Company's statement of financial position at cost less any identified impairment losses.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at costs, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and equipment	25%
Motor vehicles	20%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. When a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 3 to the Historical Financial Information)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with Note 3 to the Historical Financial Information)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings based on age group by due date.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade receivables as a separate group. Amount(s) due from related companies/a related party/a director are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets of the Group are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, deposits paid, amounts due from related companies, amount due from a related party, amount due from a director, bank deposits with original maturity over three months and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial. Financial assets are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
or
- the disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent period.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables (exclude accruals and contract liabilities), lease liabilities, amount due to a related company, amount due to a director and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affect neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the Track Record Period

Current and deferred tax are recognised in profit or loss.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the condition attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Retirement benefit scheme

Payment to Mandatory Provident Fund Scheme (the “**MPF Scheme**”) is recognised as an expense when employees have rendered service entitling them to the contributions. The Group operates an MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK\$30,000. The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in PRC are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

Social security fund

Full-time employees of the Group's Macau subsidiaries are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau government.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than HK\$ are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of "translation reserve" (attributed to non-controlling interests as appropriate).

Revenue from contract with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress toward complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Sales and distribution of hotel rooms

The Group sells and distributes hotel rooms to travel agents, corporate customers, online travel agent platforms and direct customers.

For the sales and distribution of hotel rooms, revenue is recognised at a point in time upon provision of accommodation services by the hotel operators. The normal credit terms granted to travel agents and other corporate customers range from 30 to 45 days upon issuance of invoice.

Under the Group's standard contract terms, customers have no right to exchange or refund the hotel rooms.

Margin income

The Group sells, distributes and provides air tickets, hotel rooms and ancillary travel-related products and services to customers on behalf of another party. The Group's performance obligation is to arrange for the provision of specified good or service by other party, thus, the Group recognises revenue in the amount of any fee or commission to which the Group expects to be entitled in exchange for arranging for the specified goods or services to be provided by other parties.

Margin income is recognised at a point in time when the services are rendered by the Group as an agent on a net basis.

Provision of limousine services

The Group provides limousine services to travel agents, corporate customers, online travel agent platforms and direct customers and revenue is recognised when the relevant services are rendered.

Provision

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

Leases (upon application of HKFRS 16 on 1 January 2019)

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments;
- variable lease payment that are based on a rate; and
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and
- prepayment and initial direct costs.

Right-of-use assets are depreciated on straight-line method over the shorter of the lease term and the expected useful life of the asset.

Leases (prior to 1 January 2019)

All leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease terms.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by shareholders of the entity.

Related parties

A party is considered to be related to the Group if:

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following condition applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

5. FINANCIAL INSTRUMENTS**Financial risk management**

The Group's activities expose it to variety of financial risks, including market risks (foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Market risks***(i) Foreign exchange risk***

The Group operates in Macau and the PRC with majority of the transactions being settled in MOP, HK\$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group is not exposed to foreign exchange risk in respect of HK\$ against MOP as long as these currencies are pegged.

The transactions and monetary assets and liabilities denominated in RMB are minimal, the Group considers there is no significant foreign exchange risk in respect of RMB.

The Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

(ii) Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on variable rate borrowings, primarily the secured bank borrowing. The Group currently does not have an interest rate hedging policy. However, the Group monitors the interest rate exposure on a continuous basis and will consider hedging significant interest rate exposure where necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole reporting period. A 50 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the four months ended 30 April 2019 would decrease/increase by approximately HK\$7,000. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade receivables, deposits paid, amounts due from related companies, amount due from a director, bank deposit with original maturity over three months and bank balances.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligation by counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

Deposits paid

For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition

Bank deposits with original maturity over three months and bank balances

The credit risks on bank deposit with original maturity over three months and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed regularly. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (for the year ended 31 December 2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors consider that the Group's credit risk is significantly reduced.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following tables provide information about the exposure to credit risk for trade receivables which are assessed based on provision matrix at 31 December 2018 and 30 April 2019 within lifetime ECL (not credit impaired). Debtors with significant outstanding balances with aggregate gross carrying amounts of approximately HK\$15,925,000 and HK\$15,895,000 as at 31 December 2018 and 30 April 2019 were assessed individually.

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
At 31 December 2018			
Not yet due	0.01	13,383	2
1-30 days past due	1.71	315	5
31-60 days past due	8.41	3,652	307
61-90 days past due	13.21	—	—
Over 90 days past due	29.33	501	147
		<u>17,851</u>	<u>461</u>
At 30 April 2019			
Not yet due	0.01	20,590	3
1-30 days past due	1.71	3,364	57
31-60 days past due	8.41	376	32
61-90 days past due	13.21	15	2
Over 90 days past due	29.33	—	—
		<u>24,345</u>	<u>94</u>

The expected loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018 and the four months ended 30 April 2019, the Group provided approximately HK\$47,000 and reversed approximately HK\$367,000 impairment allowance for trade receivables, based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL not credit- impaired HK\$'000
At 31 December 2017 under HKAS 39	—
Adjustment upon application of HKFRS 9	<u>414</u>
At 1 January 2018 — As restated	414
Changes due to financial instruments recognised at 1 January 2018:	
- Impairment losses recognised	<u>47</u>
At 31 December 2018 and at 1 January 2019	461
Changes due to financial instruments recognised at 1 January 2018:	
- Reversal of impairment losses	<u>(367)</u>
At 30 April 2019	<u><u>94</u></u>

The following table shows reconciliation of loss allowances that has been recognised for amount(s) due from related companies/a related party/a director.

	12m ECL HK\$'000
At 31 December 2017 under HKAS 39	—
Adjustment upon application of HKFRS 9	<u>6</u>
At 1 January 2018 — As restated	6
Changes due to financial instruments recognised at 1 January 2018:	
- Impairment losses recognised	1
- Reversal of impairment losses	<u>(1)</u>
At 31 December 2018 and at 1 January 2019	6
Changes due to financial instruments recognised at 1 January 2018:	
- Reversal of impairment losses	<u>(6)</u>
At 30 April 2019	<u><u>—</u></u>

Liquidity risk

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, borrowing with repayable on demand clause are included in the earliest time band regardless of the probability of the counterparty choosing to exercise its' rights.

		At 31 December 2017				
	Effective interest rate	On demand or within one year	Within two to five years	Over five years	undiscounted cash flows	Carrying amounts
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Non-derivative financial liabilities</i>						
Trade and other payables	—	13,249	—	—	13,249	13,249
Borrowings	2.19	484	—	—	484	484
		13,733	—	—	13,733	13,733

At 31 December 2018						
	Effective interest rate	On demand or within one year	Within two to five years	Over five years	Total undiscounted cash flows	Carrying amounts
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade and other payables	—	11,308	—	—	11,308	11,308
Amount due to a related company	—	2,844	—	—	2,844	2,844
Amount due to a director	—	147	—	—	147	147
		<u>14,299</u>	<u>—</u>	<u>—</u>	<u>14,299</u>	<u>14,299</u>
At 30 April 2019						
	Effective interest rate	On demand or within one year	Within two to five years	Over five years	Total undiscounted cash flows	Carrying amounts
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-derivative financial liabilities						
Trade and other payables	—	11,657	—	—	11,657	11,657
Lease liabilities	3.13	1,512	970	—	2,482	2,400
Amount due to a director	—	147	—	—	147	147
Borrowings	4.29	1,603	3,074	—	4,677	4,383
		<u>14,919</u>	<u>4,044</u>	<u>—</u>	<u>18,963</u>	<u>18,587</u>

The following table summarises the maturity analysis of borrowings with repayable on demand clause based on agreed repayments schedule set out in the loan agreements. The amount does not include interest as the Group's unsecured loan is interest-free. Taking into account the Group's net assets, along with other conditions set forth in the loan agreement, the directors do not consider that it is probable that the counterparty will exercise its discretion to immediate repayment. The directors believe that such borrowing will be repaid in accordance with the scheduled repayment dates set out in the loan agreement.

Maturity analysis — borrowings subject to repayable on demand clause based on scheduled repayments:

	Effective interest rate %	Within one year HK\$'000	Within two to five years HK\$'000	Over five years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Borrowings with repayable on demand clause						
At 31 December 2017	2.19	<u>—</u>	<u>333</u>	<u>250</u>	<u>583</u>	<u>484</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the amounts of dividend paid to the shareholders, return on capital to the shareholders or issue of new shares as well as issue of new debts or redemption of existing debts. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

The Group monitors capital using a gearing ratio, which is expressed as a percentage of total debt over total equity. The gearing ratios at the end of each reporting period are as follows:

	At 31 December		At
	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Total debt (<i>Note</i>)	484	—	6,783
Less: cash and cash equivalents	<u>(5,898)</u>	<u>(10,553)</u>	<u>(14,291)</u>
Net cash	<u>(5,414)</u>	<u>(10,553)</u>	<u>(7,508)</u>
Equity attributable to owner of the Company	<u>29,714</u>	<u>45,957</u>	<u>40,037</u>
Total debt to equity ratio	<u>1.63%</u>	<u>N/A</u>	<u>16.94%</u>

Note: Total debt represents lease liabilities and borrowings in Notes 17 and 24 to the Historical Financial Information respectively.

Categories of financial instruments

	At 31 December		At
	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
At amortised cost	—	46,319	47,804
Loans and receivables (including cash and cash equivalents)	<u>39,243</u>	<u>—</u>	<u>—</u>
Financial liabilities			
At amortised cost	<u>13,733</u>	<u>14,299</u>	<u>18,587</u>

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Historical Financial Information are approximate to their fair values, except for the unsecured loan included in the Group's borrowings, the fair value of the unsecured loan is approximately HK\$478,000 at 31 December 2017. The fair value of the unsecured loan is measured using income approach with the most significant input being the credit spread of comparable bonds and taking into account the time value of money and the risks associated with the cash flows, which is under Level 3 of the fair value hierarchy.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4 to the Historical Financial Information, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations, that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Revenue recognition on sales and distribution of hotel rooms

When determining the revenue recognition policy in respect of revenue from sales and distribution of hotel rooms, the Group has made reference to the relevant requirements concerning "Principal versus agent considerations" as set out in HKFRS 15 to determine whether the Group is acting as principal or as agent in these arrangements.

The Group procures and is guaranteed a fixed number of hotel rooms from the hotel operators and is contractually liable to pay these hotel operators for these hotel rooms regardless of whether those hotel rooms are sold to the customers. Accordingly, it is considered that the Group has obtained control over the hotel rooms procured and continues to control these hotel rooms until such time that these controls are subsequently transferred to the customers. Hence it is considered that the Group has inventory risk in respect of the procured hotel rooms.

The Group also has the discretion in establishing the price for the hotel rooms sold to the customers, and indicates that the Group has the ability to direct the use of the hotel rooms.

Accordingly, the Group is acting as principal for the sales and distribution of hotel rooms and therefore revenue is recognised at the amount of the consideration that the Group is entitled from transferring the control of the hotel rooms to the customers.

Margin income on sales and distribution of hotel rooms

The Group also arranges for the sales and distribution of hotel rooms on behalf of another party and recognises margin income from sales and distribution of such hotel rooms. For those purchases of hotel rooms to be provided by other parties to customers, i.e. hotel operators or other suppliers, the Group does not control these hotel rooms before they are transferred to customers. Thus, the Group recognises margin income on net basis as agent.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets

Prior to 1 January 2018, when there was an objective evidence of impairment loss, the Group took into consideration the estimation of future cash flows. The amount of the impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows were less than expected or being revised downward due to changes in facts and circumstances, a material impairment loss/further impairment loss may arise.

On or after 1 January 2018, the loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Income taxes

The Group is subject to income taxes in various jurisdiction. Significant judgement is required in determining the provision of income taxes. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the year in which such determination is made.

Useful lives and residual values of property, plant and equipment

The Group determines the useful lives, residual values and related depreciation charges for its property, plant and equipment and reviews the useful lives and residual values periodically to ensure that the method and rates of depreciation are consistent with expected pattern of realisation of economic benefits from property, plant and equipment. This estimate is based on the historical experience of the actual residual values and useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. If there are significant changes from previous estimated useful lives and residual values, the amount of depreciation charge may change.

7. REVENUE

Disaggregation of revenue from contracts with customers

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Type of goods or services				
Sales and distribution of hotel rooms	109,012	153,931	50,477	57,027
Margin income: <i>(Note)</i>				
- sales of air tickets	998	930	433	247
- sales and distribution of hotel rooms	2,439	1,739	637	400
- sales and provision of ancillary travel-related products and services	199	477	103	202
Provision of limousine services	3,938	5,005	1,099	2,983
Total revenue from contracts with customers	116,586	162,082	52,749	60,859
Lease income from vehicle leasing	1,042	3,580	516	1,298
Total revenue	<u>117,628</u>	<u>165,662</u>	<u>53,265</u>	<u>62,157</u>
Type of customer				
Travel agents	48,700	69,719	21,784	33,100
Corporate customers	3,172	16,712	1,910	9,040
Online travel agent platforms	35	3,905	1,281	867
Direct customers	65,721	75,326	28,290	19,150
Total	<u>117,628</u>	<u>165,662</u>	<u>53,265</u>	<u>62,157</u>

All of the Group's revenue from contracts with customers are recognised at a point in time.

All of the Group's revenue is derived from Macau.

Note: The Group's margin income from sales, distribution and provision of air tickets, hotel rooms and ancillary travel-related products and services, are considered as cash collected on behalf of a principal as an agent, and thus recorded on a net basis.

8. SEGMENT INFORMATION

The Group's operating segments are determined based on information reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance focuses on types of products and services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable operating segments of the Group.

The chief operating decision maker considers the Group has two reportable operating segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

The Group's reportable operating segments are as follows:

(i) Travel business

The travel business consists of sales and distribution of hotel rooms and margin income from sales, distribution and provision of air tickets, hotel rooms and ancillary travel-related products and services in Macau.

(ii) Vehicle business

The vehicle business represents the provision of vehicle leasing and limousine services in Macau.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable operating segments:

For the year ended 31 December 2017

	Travel business HK\$'000	Vehicle business HK\$'000	Total HK\$'000
Reportable segment revenue	<u>112,648</u>	<u>4,980</u>	<u>117,628</u>
Reportable segment results	<u>21,284</u>	<u>933</u>	22,217
Interest income			3
Unallocated income and expenses			<u>(1,319)</u>
Profit before tax			<u>20,901</u>
Adjusted earnings before interest, tax, depreciation and amortisation			
	<u>22,375</u>	<u>1,442</u>	<u>22,505</u>

For the year ended 31 December 2018

	Travel business HK\$'000	Vehicle business HK\$'000	Total HK\$'000
Reportable segment revenue	<u>157,077</u>	<u>8,585</u>	<u>165,662</u>
Reportable segment results	<u>25,318</u>	<u>764</u>	26,082
Interest income			9
Unallocated income and expenses			<u>(7,228)</u>
Profit before tax			<u>18,863</u>
Adjusted earnings before interest, tax, depreciation and amortisation			
	<u>26,498</u>	<u>3,238</u>	<u>22,530</u>

APPENDIX I**ACCOUNTANTS' REPORT***For the four months ended 30 April 2018 (unaudited)*

	Travel business HK\$'000	Vehicle business HK\$'000	Total HK\$'000
Reportable segment revenue	<u>51,650</u>	<u>1,615</u>	<u>53,265</u>
Reportable segment results	<u>9,568</u>	<u>149</u>	9,717
Unallocated income and expenses			<u>(612)</u>
Profit before tax			<u>9,105</u>
Adjusted earnings before interest, tax, depreciation and amortisation	<u>9,969</u>	<u>421</u>	<u>9,779</u>

For the four months ended 30 April 2019

	Travel business HK\$'000	Vehicle business HK\$'000	Total HK\$'000
Reportable segment revenue	<u>57,876</u>	<u>4,281</u>	<u>62,157</u>
Reportable segment results	<u>8,868</u>	<u>680</u>	9,548
Unallocated income and expenses			<u>(6,052)</u>
Profit before tax			<u>3,496</u>
Adjusted earnings before interest, tax, depreciation and amortisation	<u>9,397</u>	<u>2,214</u>	<u>5,599</u>

Reportable segment revenue represents revenue generated from external customers. There were no inter-segment sales during the Track Record Period.

Segment results represents profit earned suffered by each segment without allocation of interest income, partial government grants, directors' remuneration, partial depreciation, listing expenses, partial finance costs and other corporate income and expenses under the heading of "unallocated income and expenses". This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

Adjusted earnings before interest, tax, depreciation and amortisation is also a measurement basis regularly reviewed by the directors in performance assessment between segments and resources allocation. This measurement basis is consistent with that of the segment results except that finance costs, depreciations and amortisation are not included in the adjusted earnings before interest, tax, depreciation and amortisation.

Segment assets and liabilities

No segment assets and liabilities information are provided as no such information is regularly provided to the chief operating decision maker on making decision for resources allocation and performance assessment.

Other segment information

For the year ended 31 December 2017

	Travel business HK\$'000	Vehicle business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	—	—	3	3
Depreciation of property, plant and equipment	1,091	509	2	1,602
Additions to non-current assets (<i>Note</i>)	<u>102</u>	<u>4,977</u>	<u>15</u>	<u>5,094</u>

For the year ended 31 December 2018

	Travel business HK\$'000	Vehicle business HK\$'000	Unallocated HK\$'000	Total HK\$'000
Interest income	—	—	9	9
Depreciation of property, plant and equipment	1,180	2,474	3	3,657
Impairment loss on trade receivables, net of reversal	14	33	—	47
Additions to non-current assets (<i>Note</i>)	<u>1,794</u>	<u>16,386</u>	<u>9</u>	<u>18,189</u>

For the four months ended 30 April 2018 (unaudited)

	Travel business	Vehicle business	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	398	272	1	671
Additions to non-current assets (<i>Note</i>)	<u>462</u>	<u>7,581</u>	<u>—</u>	<u>8,043</u>

For the four months ended 30 April 2019

	Travel business	Vehicle business	Unallocated	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	149	1,230	2	1,381
Depreciation of right-of-use assets	364	277	33	674
Reversal of impairment loss on trade receivables, net of impairment	(362)	(5)	—	(367)
Additions to non-current assets (<i>Note</i>)	<u>157</u>	<u>528</u>	<u>—</u>	<u>685</u>

Note: Additions to non-current assets exclude the additions of financial instruments and deferred tax asset.

Geographical information

As all of the Group's revenue is derived from Macau, no geographical segment information in respect of revenue is presented.

The following is an analysis of the carrying amounts of the non-current assets (excluding financial instruments and deferred tax assets) analysed by geographical locations in which the assets is located:

	At 31 December 2017	2018	At 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	—	—	443
Macau (place of domicile)	6,655	17,563	17,410
The PRC, excluding Hong Kong and Macau	<u>13</u>	<u>10</u>	<u>260</u>
	<u>6,668</u>	<u>17,573</u>	<u>18,113</u>

Information about major customers

Revenue from customers during the Track Record Period contributing over 10% of the total revenue of the Group are as follows:

Reportable segments		Years ended 31 December		Four months ended 30 April	
		2017	2018	2018	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)					
Customer A	Travel business and Vehicle business	41,182	31,763	9,455	13,393
Customer B (Note)	Travel business	N/A	25,213	8,267	12,383
Customer C (Note)	Travel business and Vehicle business	N/A	N/A	N/A	6,465

Note: Revenue derived from Customer B and Customer C did not contribute 10% or more to the Group's total revenue during the Track Record Period.

Except as disclosed above, no other customers contributed 10% or more of the Group's total revenue during the Track Record Period.

9. OTHER GAIN AND INCOME

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(unaudited)				
Interest income	3	9	—	—
Government grants (Note 31)	142	—	—	—
Reversal of impairment loss on trade receivables, net of impairment	—	—	—	367
Reversal of impairment loss on amounts due from related companies, net of impairment	—	—	—	4
Reversal of impairment loss on amount due from a director, net of impairment	—	—	—	2
Sundry income	45	9	—	10
	190	18	—	383

10. FINANCE COSTS

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Imputed interest on unsecured loan	2	10	3	—
Interest on lease liabilities	—	—	—	30
Interest on secured bank borrowing	—	—	—	18
	<u>2</u>	<u>10</u>	<u>3</u>	<u>48</u>

11. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Auditors' remuneration for:				
- audit service	8	15	2	3
- non-audit services	<u>37</u>	<u>95</u>	<u>25</u>	<u>32</u>
	<u>45</u>	<u>110</u>	<u>27</u>	<u>35</u>
Depreciation of property, plant and equipment (Note)	1,602	3,657	671	1,381
Depreciation of right-of-use assets	—	—	—	674
Impairment loss on trade receivables, net of reversal	—	47	—	—
Listing expenses	—	5,828	—	5,500
Loss on early repayment of unsecured loan (Note 24)	—	89	—	—
Loss on disposal of property, plant and equipment	—	50	—	75
Lease payment under operating lease in respect of leased assets (Note)	979	1,555	493	—

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Employee benefit expenses (excluding directors' remuneration (Note) (Note 12))				
- Salaries, allowances and benefits in kind	3,128	5,864	1,578	3,715
- Retirement benefit scheme contribution	85	218	14	82
	<u>3,213</u>	<u>6,082</u>	<u>1,592</u>	<u>3,797</u>

Note: Included in the Group's cost of sales are depreciation of property, plant and equipment of approximately HK\$509,000, HK\$2,143,000, HK\$254,000 and HK\$1,179,000, lease payment under operating leases in respect of leased assets of approximately HK\$309,000, HK\$187,000, HK\$83,000 and nil, and employee benefit expenses (excluding directors' remuneration) of approximately HK\$737,000, HK\$1,996,000, HK\$301,000 and HK\$1,081,000, for the years ended 31 December 2017 and 2018 and the four months ended 30 April 2018 and 2019 respectively.

12. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

	Year ended 31 December 2017			
	Salaries allowances, and benefits in kind	Retirement benefit scheme contribution		Total
Directors' fees	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:				
Mr. Choi	—	44	—	44
Mr. Leong Tat Meng	—	291	1	292
	<u>—</u>	<u>335</u>	<u>1</u>	<u>336</u>

Year ended 31 December 2018			
Directors' fees	Salaries allowances, and benefits in kind	Retirement benefit scheme contribution	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:			
Mr. Choi	—	174	175
Mr. Leong Tat Meng	—	364	365
	<u>—</u>	<u>538</u>	<u>540</u>

Four months ended 30 April 2018 (unaudited)			
Directors' fees	Salaries allowances, and benefits in kind	Retirement benefit scheme contribution	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:			
Mr. Choi	—	58	58
Mr. Leong Tat Meng	—	133	133
	<u>—</u>	<u>191</u>	<u>191</u>

Four months ended 30 April 2019			
Directors' fees	Salaries allowances, and benefits in kind	Retirement benefit scheme contribution	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:			
Mr. Choi	—	80	160
Mr. Leong Tat Meng	—	160	80
	<u>—</u>	<u>240</u>	<u>240</u>

No remuneration was paid to the independent non-executive directors during the Track Record Period as the independent non-executive directors have not been appointed during the Track Record Period.

The five highest paid individuals included one, one, one and one director for the years ended 31 December 2017 and 2018 and the four months ended 30 April 2018 and 2019 respectively. Details of whom emoluments are set out above. The emoluments of the remaining individuals for the years ended 31 December 2017 and 2018 and the four months ended 30 April 2018 and 2019 are as follows:

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Salaries, allowance and benefits in kind	827	1,315	557	626
Retirement benefit scheme contribution	3	3	1	1
	<u>830</u>	<u>1,318</u>	<u>558</u>	<u>627</u>

The above individuals with the highest emolument are within the following bands:

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>	<i>Number of employees</i>
			<i>(unaudited)</i>	
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during the Track Record Period.

13. INCOME TAX EXPENSES

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Current tax:				
- Macau Complementary Tax	2,520	2,430	1,194	558
- PRC Enterprise Income Tax	145	163	—	—
	2,665	2,593	1,194	558
Deferred tax:				
- (credit)/charge for the year/period (<i>Note 18</i>)	—	(6)	—	45
	<u>2,665</u>	<u>2,587</u>	<u>1,194</u>	<u>603</u>

Hong Kong Profits Tax and Macau Complementary Tax are calculated at 16.5% and 12% of the estimated assessable profits respectively for the Track Record Period. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for the Track Record Period.

No provision of Hong Kong Profits Tax has been made as there is no assessable profits arising in Hong Kong.

The income tax expenses for the Track Record Period can be reconciled to the profit as per the consolidated statements of profit or loss and other comprehensive income as follows:

	Years ended		Four months ended	
	31 December		30 April	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Profit before tax	20,901	18,863	9,105	3,496
Tax calculated at tax rates applicable to the jurisdictions concern	2,608	2,338	1,097	344
Tax effect of:				
Expenses not deductible for tax purposes	22	43	6	71
Income not taxable for tax purposes	(50)	(9)	—	—
Estimated tax losses not recognised	85	215	91	188
Income tax expenses for the Track Record Period	<u>2,665</u>	<u>2,587</u>	<u>1,194</u>	<u>603</u>

14. DIVIDENDS

Prior to the Reorganisation, the Company and its subsidiary had declared dividends to the shareholders during the Track Record Period, details are as follows:

	Years ended		Four months ended	
	31 December		30 April	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Dividends declared	<u>—</u>	<u>874</u>	<u>—</u>	<u>8,891</u>

On 30 April 2019, the Company has declared interim dividend of approximately HK\$8,891,000 and subsequently used to set off against the outstanding balance of amount due from immediate holding company.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the Track Record Period on the basis of preparation and presentation as set out in Note 2 of the Historical Financial Information.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures, equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
At 1 January 2017	291	165	3,028	3,484
Additions	—	117	4,977	5,094
At 31 December 2017 and at 1 January 2018	291	282	8,005	8,578
Additions	430	230	17,529	18,189
Disposals	—	—	(5,078)	(5,078)
At 31 December 2018 and at 1 January 2019	721	512	20,456	21,689
Additions	—	42	528	570
Disposals	—	—	(1,268)	(1,268)
At 30 April 2019	721	554	19,716	20,991
Accumulated depreciation				
At 1 January 2017	89	32	187	308
Charge for the year	97	63	1,442	1,602
At 31 December 2017 and at 1 January 2018	186	95	1,629	1,910
Charge for the year	332	101	3,224	3,657
Eliminated upon disposals	—	—	(1,451)	(1,451)
At 31 December 2018 and at 1 January 2019	518	196	3,402	4,116
Charge for the period	86	41	1,254	1,381
Eliminated upon disposals	—	—	(212)	(212)
At 30 April 2019	604	237	4,444	5,285

	Leasehold improvements	Furniture, fixtures, equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amounts				
At 31 December 2017	<u>105</u>	<u>187</u>	<u>6,376</u>	<u>6,668</u>
At 31 December 2018	<u>203</u>	<u>316</u>	<u>17,054</u>	<u>17,573</u>
At 30 April 2019	<u>117</u>	<u>317</u>	<u>15,272</u>	<u>15,706</u>

At 30 April 2019, motor vehicles with carrying amounts of approximately HK\$10,951,000 are pledged for the Group's secured bank borrowing (Note 24 to the Historical Financial Information).

17. LEASES

	At 1 January 2019	At 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(restated)</i>	
Right-of-use assets		
Properties	2,397	1,965
Carparking spaces	324	232
Licenses	<u>245</u>	<u>210</u>
	<u>2,966</u>	<u>2,407</u>

	At 1 January 2019 HK\$'000 (restated)	At 30 April 2019 HK\$'000
Lease liabilities		
<i>Minimum lease payments due</i>		
- Within one year	1,773	1,512
- In the second to fifth years, inclusive	<u>1,289</u>	<u>970</u>
	3,062	2,482
Less: future finance charges	<u>(111)</u>	<u>(82)</u>
Present value of lease liabilities	<u><u>2,951</u></u>	<u><u>2,400</u></u>
	At 1 January 2019 HK\$'000 (restated)	At 30 April 2019 HK\$'000
<i>Present value of lease liabilities</i>		
- Within one year	1,699	1,454
- In the second to fifth years, inclusive	<u>1,252</u>	<u>946</u>
	<u><u>2,951</u></u>	<u><u>2,400</u></u>
	At 1 January 2019 HK\$'000 (restated)	At 30 April 2019 HK\$'000
Lease liabilities		
Properties	2,374	1,950
Carparking spaces	325	233
Licenses	<u>252</u>	<u>217</u>
	<u><u>2,951</u></u>	<u><u>2,400</u></u>

Additions to the right-of-use assets during the four months ended 30 April 2019 are approximately HK\$115,000.

	Four months ended 30 April 2019 HK\$'000
Depreciation of right-of-use assets	
Properties	547
Carparking spaces	91
Licenses	<u>36</u>
	<u>674</u>

The total cash outflow for leases for the four months ended 30 April 2019 is approximately HK\$575,000.

The Group leases various properties, carparking spaces and licenses. Rental contracts are typically made for fixed periods of 1 to 4 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Extension options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

18. DEFERRED TAX ASSET

The following is the deferred tax asset recognised and movements thereon during the Track Record Period:

	Loss allowance for financial assets HK\$'000
At 1 January 2018 (<i>Note</i>)	50
Credit to profit or loss (<i>Note 13</i>)	<u>6</u>
At 31 December 2018 and at 1 January 2019	56
Charge to profit or loss (<i>Note 13</i>)	<u>(45)</u>
At 30 April 2019	<u>11</u>

Note: The Group has initially applied HKFRS 9 on 1 January 2018 and comparative information is not restated.

The Group had unused estimated tax losses of approximately HK\$758,000, HK\$2,536,000 and HK\$3,632,000 available for offset against future profits as at 31 December 2017 and 2018 and 30 April 2019 respectively. No deferred tax asset has been recognised in respect of unused estimated tax losses due to the unpredictability of future profit streams. At 31 December 2017 and 2018 and 30 April 2019, all of the Group's unused estimated tax losses will expire within five years.

19. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December		At
	2017	2018	30 April
	HK\$'000	HK\$'000	2019
			HK\$'000
Trade receivables, gross	17,788	17,851	24,345
Less: allowance for impairment	—	(461)	(94)
	<u>17,788</u>	<u>17,390</u>	<u>24,251</u>
Deposits paid	1,463	2,200	2,163
Prepayments	<u>878</u>	<u>2,557</u>	<u>4,043</u>
	<u>2,341</u>	<u>4,757</u>	<u>6,206</u>
Total trade receivables, deposits and prepayments	<u>20,129</u>	<u>22,147</u>	<u>30,457</u>
Trade receivables, deposits and prepayments presented under:			
- Non-current assets	647	796	796
- Current assets	<u>19,482</u>	<u>21,351</u>	<u>29,661</u>
	<u>20,129</u>	<u>22,147</u>	<u>30,457</u>

At 31 December 2017 and 2018 and at 30 April 2019, included in the Group's trade receivables are balances of approximately HK\$2,986,000, HK\$1,215,000 and HK\$2,013,000 respectively, that are due from related party. Such balances are trade nature, unsecured, interest-free and repayable on demand.

The credit terms granted to major customers generally range from 30 to 45 days.

The following is an aging analysis of the Group's trade receivables, presented based on invoice dates, at the end of each reporting period, net of allowance for impairment:

	At 31 December		At
	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	13,106	13,691	15,905
31-60 days	4,445	3,345	4,803
61-90 days	153	—	3,523
Over 90 days	84	354	20
	<u>17,788</u>	<u>17,390</u>	<u>24,251</u>

Before accepting new customer, the Group assesses the credit quality and defines credit limit to potential customer. The majority of the Group's trade receivables that are past due but not impaired have good credit quality with reference to settlement history.

Trade receivables balances that are past due for which the Group has not provided for impairment loss because the management of the Group is of the opinion that the amounts will be fully recoverable as there has not been any significant adverse change in credit quality of the customers.

Comparative information under HKAS39

The following is an aging analysis of trade receivables which are not impaired at 31 December 2017, based on due date:

	At
	31 December
	2017
	<i>HK\$'000</i>
Neither past due nor impaired	13,106
1-30 days past due	4,445
31-60 days past due	153
61-90 days past due	6
Over 90 days past due	<u>78</u>
	<u>17,788</u>

The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the customers from the date that credit was initially granted up to the end of each reporting period. The management also considers the forward-looking information and any change in the expected recovery of the trade receivables after the application of HKFRS 9 since 1 January 2018.

Impairment assessment on trade receivable subject to ECL model

As part of the Group's credit risk management, the Group makes reference to the historical repayment to assess the impairment for each individual trade receivables with significant balances while the Group collectively assesses the impairment for its remaining customers using a provision matrix with appropriate groupings based on share credit risk characteristics of customers from different operating segments.

The loss rates of trade receivables (individually or collectively using a provision matrix) are estimated based on historical credit loss analysis, and adjusted for forward-looking information (for example, the current and forecasted economic growth rates, which reflect the general economic conditions of the region in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current and forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management to ensure relevant information about specific customers is updated.

In addition, the directors considered that the presumption of default has occurred when the instrument is more than 90 days past due would be rebutted by considering the expected subsequent and historical repayment from the customers.

There has been no change in the estimation techniques or significant assumptions made since the application of HKFRS 9 on 1 January 2018.

Movement in allowance for impairment for trade receivables for the year ended 31 December 2017, and movement in lifetime ECL that have been recognised in accordance with simplified approach set out in HKFRS 9 during the year ended 31 December 2018 and the four months ended 30 April 2019 are as follows:

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
At the beginning of the reporting period				
<i>(Note)</i>	—	414	—	461
Allowance for impairment	—	47	—	(367)
At the end of the reporting period	—	461	—	94

Note: The Group has initially applied HKFRS 9 on 1 January 2018, an impairment loss under ECL model of approximately HK\$414,000 was recognised to the opening retained earnings and comparative information is not restated.

The allowance for impairment during the year ended 31 December 2018 and the four months ended 30 April 2019, has been recognised for trade receivables in accordance with the simplified approach (lifetime ECL set out in HKFRS 9). During the year ended 31 December 2018 and the four months ended 30 April 2019, the Group has provided loss allowance of approximately HK\$47,000 and reversed loss allowance of approximately HK\$367,000 on ECL respectively, based on provision matrix.

20. BALANCES WITH RELATED PARTIES

Particular of amount due from immediate holding company is as follow:

	At 31 December		At
	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Silver Esteem Limited	—	—	—

APPENDIX I**ACCOUNTANTS' REPORT**

The maximum amount due from immediate holding company during the Track Record Period is as follow:

	During the year ended 31 December		During the four months ended 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Silver Esteem Limited	<u>—</u>	<u>—</u>	<u>8,891</u>

Particular of the amounts due from related companies are as follow:

	At 31 December		At 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ying Hai Development Holdings Limited (formerly known as “Ying Hai Group Holdings Limited”)	217	3,405	—
Ying Hai Entertainment Group Limited	6,076	7,411	—
瀛海投資有限公司 (Ying Hai Investment Company Limited*)	567	—	—
Ying Hai Estates Company Limited	594	—	—
瀛海餐飲管理有限公司 (Ying Hai Catering Management Company Limited*)	<u>118</u>	<u>—</u>	<u>—</u>
	<u>7,572</u>	<u>10,816</u>	<u>—</u>

The maximum amounts due from related companies during the Track Record Period are as follow:

	During the years ended 31 December		During the four months ended 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ying Hai Development Holdings Limited (formerly known as “Ying Hai Group Holdings Limited”)	236	3,610	3,405
Ying Hai Entertainment Group Limited	6,076	7,518	7,411
瀛海投資有限公司 (Ying Hai Investment Company Limited*)	642	567	—
Ying Hai Estates Company Limited	594	594	—
瀛海餐飲管理有限公司 (Ying Hai Catering Management Company Limited*)	<u>118</u>	<u>118</u>	<u>—</u>

Particular of the amount due from a related party is as follows:

	At 31 December		At
	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ms. Wong Pui Keng	<u>15</u>	<u>—</u>	<u>—</u>

* *for identification purposes only*

The maximum amount due from a related party during the Track Record Period is as follows:

	During the years		During the
	ended 31 December	ended 31 December	four months
	2017	2018	ended
	<i>HK\$'000</i>	<i>HK\$'000</i>	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Ms. Wong Pui Keng	<u>15</u>	<u>15</u>	<u>—</u>

Particular of the amount due from a director is as follow:

	At 31 December		At 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Choi	<u>6,254</u>	<u>2,849</u>	<u>1,945</u>

The maximum amount due from a director during the Track Record Period are as follow:

	During the years		During the
	ended 31 December	ended 31 December	four months
	2017	2018	ended
	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Mr. Choi	<u>6,254</u>	<u>10,936</u>	<u>2,849</u>

The balances with related parties are non-trade nature, unsecured, interest-free and repayable on demand.

The directors represent that the balances with related parties will be settled prior to the listing.

The financial assets included in the above balances related to receivable for which there was no recent history of default.

During the Track Record Period, Mr. Choi and Mr. Leong Tat Meng, being directors of the Company, had provided personal guarantees and pledged personal assets in respect of borrowings and general banking facilities of the Group without any charge.

Except for the personal guarantee provided by Mr. Choi in relation to the Group's secured bank borrowing with the carrying amount of approximately HK\$4,383,000 as at 30 April 2019, all other personal guarantees and pledge of personal assets had been released during the Track Record Period. The directors represent that the personal guarantee in relation to the Group's secured bank borrowing will be released prior to or upon the listing.

21. BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS

Bank deposits with original maturity over three months carry interest at 0.60%, range from 1.10% to 1.49% and range from 1.10% to 2.00% per annum as at 31 December 2017 and 2018 and 30 April 2019 respectively.

At 31 December 2017 and 2018 and 30 April 2019, included in the Group's bank deposits with original maturity over three months are amounts of approximately HK\$253,000, HK\$2,509,000 and HK\$5,133,000 respectively, placed in a bank to secure general banking facilities in respect of guarantees issued to the suppliers of the Group as general trade deposits and to the government of the Macau Special Administrative Region (the "government of Macau SAR") to obtain travel agent licence in Macau.

22. CASH AND CASH EQUIVALENTS

	At 31 December		At 30 April
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents denominated in:			
HK\$	1,489	4,340	8,088
MOP	2,535	4,275	4,808
RMB	1,874	1,938	1,395
	<u>5,898</u>	<u>10,553</u>	<u>14,291</u>

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated by the PRC government. The Group's cash and cash equivalents denominated in RMB of approximately HK\$186,000, HK\$183,000 and HK\$103,000 at 31 December 2017 and 2018 and 30 April 2019 respectively are located outside of the PRC which are not subject to the foreign exchange control.

23. TRADE AND OTHER PAYABLES

	At 31 December		At 30 April
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Trade payables	10,143	11,053	11,430
Accruals and other payables	701	3,211	8,071
Deposits received	3,020	126	126
Contract liabilities	27	199	5
	<u>13,891</u>	<u>14,589</u>	<u>19,632</u>

At 31 December 2017 and 2018 and 30 April 2019, included in the Group's trade and other payables are balance of approximately HK\$515,000, HK\$41,000 and HK\$3,000 respectively, that are due to related parties. Such balances are trade nature, unsecured, interest-free and repayable on demand.

The following is aging analysis of trade payables, based on the invoice dates:

	At 31 December		At 30 April
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
0-30 days	8,819	11,002	11,375
31-60 days	971	2	53
61-90 days	102	3	2
Over 90 days	251	46	—
	<u>10,143</u>	<u>11,053</u>	<u>11,430</u>

The average credit period granted by major suppliers is 30 days.

The balances of contract liabilities at the end of each reporting period are recognised as revenue in the following financial year.

24. BORROWINGS

	At 31 December 2017 HK\$'000	2018 HK\$'000	At 30 April 2019 HK\$'000
Secured bank borrowing	—	—	4,383
Unsecured loan	484	—	—
	<u>484</u>	<u>—</u>	<u>4,383</u>
Carrying amounts repayable:			
<i>Current portion</i>			
Within one year	—	—	1,440
Carrying amount (shown under current liabilities) that contain repayable on demand clause based on scheduled repayment terms:			
- Within one year	—	—	—
- More than one year but less than five years	272	—	—
- More than five years	212	—	—
	<u>484</u>	<u>—</u>	<u>1,440</u>
<i>Non-current portion</i>			
More than one year but less than five years	—	—	2,943
Total borrowings	<u>484</u>	<u>—</u>	<u>4,383</u>

At 31 December 2017, the unsecured loan represents an interest-free loan with the proceeds of approximately HK\$583,000 received from the government of Macau SAR on 24 October 2017. The loan is repayable in full on 24 October 2025. Using prevailing market interest rates for an equivalent loan of 2.19%, the fair value of the loan is estimated at approximately HK\$482,000 on initial recognition. The difference of approximately HK\$101,000 between the proceeds and the fair value of the unsecured loan represent the benefit derived from the interest-free element and is recognised as government grants in profit or loss (see Note 31 to the Historical Financial Information).

At 30 April 2019, the secured bank borrowing is interest-bearing at the Macau Commercial bank prime lending rate minus 1% per annum and is guaranteed by Mr. Choi and secured by certain motor vehicles of the Group with the carrying amounts of approximately HK\$10,951,000 (Note 16 to the Historical Financial Information).

On 16 October 2018, the Group has early repaid its unsecured loan with principal amount of approximately HK\$583,000 with the carrying amount of approximately HK\$494,000. As such, the Group recognised a loss on early repayment of unsecured loan of approximately HK\$89,000 during the year ended 31 December 2018.

The Group's unsecured loan and secured bank borrowing are denominated in MOP and HK\$ respectively.

25. SHARE CAPITAL

Prior to the completion of the Reorganisation, the share capital represents the issued share capital/paid up capital of the subsidiaries now comprising the Group.

The Company

The Company was incorporated on 18 December 2018 with an authorised share capital of 38,000,000 ordinary shares of HK\$0.01 each.

On the 18 December 2018, the Company issued 1 ordinary share at par value of HK\$0.01.

26. RESERVES

The amount of the Group's reserve and the movements therein for the Track Record Period are presented in the consolidated statements of changes in equity of the Historical Financial Information.

Merger reserve

Merger reserve of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired as a result of the Reorganisation as fully explained in the paragraph headed "History, development and Reorganisation — Reorganisation" in this prospectus and the consideration in exchange thereof.

Statutory reserve

In accordance with the relevant laws and regulation provided in Macau and the PRC, the Group's subsidiaries in Macau and the PRC are required to appropriate 25% and 10% of their profit for the year, as determined in accordance with the generally accepted accounting principles of Macau and PRC respectively, to the statutory reserve, until the statutory reserve balance of that subsidiary equals 50% of that quota capital and the registered capital respectively. The appropriation to statutory reserve must to be made before the distribution of dividends to its shareholders. This reserve is not distributable to its shareholders.

The statutory reserve of PRC subsidiary can be used to offset previous years' losses or to increase capital.

Translation reserve

Translation reserve of the Group represents the exchange difference on translation of financial statements of the entities with functional currencies other than HK\$.

27. SIGNIFICANT TRANSACTION WITH NON-CONTROLLING INTERESTS

On 15 March 2017, Ying Hai Tourism (Macau) and 榮譽企業管理諮詢有限公司 (transliterated into "Honour Corporate Management Consulting Limited") (the "**Vendor**") has entered into a share transfer agreement, pursuant to which Ying Hai Tourism (Macau) has agreed to acquire and the Vendor has agreed to sell, the entire registered capital of Zhuhai Ying Hai at a cash consideration of RMB1,500,000 (equivalent to approximately HK\$1,698,000), which represent the initial capital injection into Zhuhai Ying Hai by the Vendor (the "**Acquisition**"). Zhuhai Ying Hai was principally engaged in provision of enterprise consultation services in the PRC.

The completion of the amendment of National Enterprise Credit Information of wholly foreign owned enterprise at the State Administration for Industry and Commerce of the PRC took place on 17 March 2017. As stated in the share transfer agreement, the Vendor has agreed to surrender its rights as shareholder of Zhuhai Ying Hai on 27 February 2017.

The Vendor is a company incorporated in Macau with limited liability by quotas and its equity interests are 70% and 30% held by Mr. Choi, who is the controlling shareholder of the Group and Mr. Leong Tat Meng respectively. Prior to the Acquisition, the Group deemed to have control over Zhuhai Ying Hai and Zhuhai Ying Hai was accounted for as a non-wholly owned subsidiary of the Group. As a result of the Acquisition, Zhuhai Ying Hai becomes an indirect wholly owned subsidiary of the Group.

The Group had accounted for 70% and 30% of the cash consideration of RMB1,050,000 and RMB450,000 (equivalent to approximately HK\$1,189,000 and HK\$509,000) respectively as consideration paid to controlling shareholder for consolidating 70% equity interest of Zhuhai Ying Hai under the Group and as consideration paid to non-controlling interest for acquiring additional 30% equity interest of Zhuhai Ying Hai respectively.

The Group recognised (i) a decrease in combined share capital of the Group of approximately HK\$1,255,000 and an increase in translation reserve of approximately HK\$66,000 as a result of consolidating Zhuhai Ying Hai; and (ii) a decrease in non-controlling interest of approximately HK\$305,000 and a decrease in equity attributable to owner of the Company of approximately HK\$204,000 as a result of the acquisition of additional interest in Zhuhai Ying Hai.

28. OPERATING LEASE COMMITMENTS*The Group as lessor*

The Group leases certain of its motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from 3 months to 5 years during the Track Record Period.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	At 31 December		At 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,412	2,215	1,763
In the second to fifth years, inclusive	<u>3,150</u>	<u>2,490</u>	<u>2,190</u>
	<u><u>4,562</u></u>	<u><u>4,705</u></u>	<u><u>3,953</u></u>

The Group as lessee

The Group leases a number of properties, carparking spaces and licenses under operating lease arrangements. Leases for these assets are negotiated for terms ranging from 1 to 4 years.

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December		At 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	612	1,824	—
In the second to fifth years, inclusive	<u>575</u>	<u>1,284</u>	<u>—</u>
	<u><u>1,187</u></u>	<u><u>3,108</u></u>	<u><u>—</u></u>

The Group does not have an option to purchase the leased assets at the expiry of the lease period.

Upon initial application of HKFRS 16 on 1 January 2019, the Group recognised lease liabilities of the future lease payments discounted at the interest rate implicit to the leases. Under the modified retrospective approach, comparative information is not restated.

29. MATERIAL RELATED PARTY TRANSACTIONS

- (a) Save as disclosed elsewhere in the Historical Financial Statements, the Group entered into the following transactions with related parties:

	Years ended		Four months ended	
	31 December		30 April	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Disposal of property, plant and equipment to a related party				
— Ms. Wong Pui Keng <i>(i)</i>	—	2,050	—	—
Purchase from a related company				
— Tak Chun Gaming Promotion Company Limited (“ Tak Chun ”) <i>(ii)</i>	6,087	4,340	1,175	446
Revenue generate from a related company				
— Tak Chun <i>(ii)</i>	<u>2,834</u>	<u>4,644</u>	<u>1,738</u>	<u>1,626</u>

Notes:

- (i) Ms. Wong Pui Keng is the spouse of Mr. Choi.
- (ii) Ms. Wong Pui Keng is a director of Tak Chun throughout the Track Record Period.

Mr. Choi had provided personal guarantees in respect of the Group's borrowings and general banking facilities without any charge. Except for the personal guarantee in relation to the Group's secured bank borrowing with the carrying amount of approximately HK\$4,383,000 as at 30 April 2019, all other personal guarantees had been released during the Track Record Period. The directors represent that the personal guarantee in relation to the Group's secured bank borrowing will be released prior to or upon the listing.

Mr. Leong Tat Meng had pledged his property and provided personal guarantee in respect of the Group's general banking facilities without any charge. The pledge of asset and the personal guarantee had been released during the Track Record Period.

- (b) Compensation of key management personnel of the Group, including directors' remuneration as disclosed in Note 12 to the Historical Financial Information, is as follows:

	Years ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Salaries, allowance and benefits in kind	687	1,068	388	642
Retirement benefit scheme contributions	<u>2</u>	<u>3</u>	<u>1</u>	<u>7</u>
	<u>689</u>	<u>1,071</u>	<u>389</u>	<u>649</u>

- (c) Details of the balance with related parties at the end of each reporting period are set out in Notes 19, 20 and 23 to the Historical Financial Information.

30. RETIREMENT BENEFIT SCHEME

The Group operates MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, employees are required to contribute 5% of their monthly salaries or up to a maximum of HK\$1,500 and they can choose to make additional contributions. Employers' monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK\$1,500 (the "mandatory contributions"). Employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The retirement benefits scheme contributions arising from the MPF Scheme charged to profit or loss represent contributions paid or payable to the funds by the Group at rates specified in the rules of the schemes.

The employees of the Group's subsidiaries in Macau and the PRC are members of state-managed retirement benefit schemes operated by the Macau and PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the scheme.

31. GOVERNMENT GRANTS

On 24 October 2017, the Group received a government grant of approximately HK\$41,000 and an unsecured loan with the proceeds of approximately HK\$583,000 in relation to the economic losses caused by Typhoon Hato to the small and medium enterprises operating in Macau during August 2017.

The government grant of approximately HK\$41,000 was intended to provide immediate financial support to the Group with no future related costs are recognised in profit or loss during the year ended 31 December 2017.

The unsecured loan is interest-free and repayable according to the scheduled repayment terms with a repayable on demand clause. The unsecured loan is initially measured at fair value of approximately HK\$482,000. The benefit derived from the interest-free element of approximately HK\$101,000, represents the difference between the proceeds and the fair value of the loan on initial recognition, is recognised as government grant in profit or loss. Subsequent to initial recognition, the unsecured loan is measured at amortised cost using the effective interest method.

The unsecured loan is guaranteed by Mr. Choi and an employee of the Group.

There were no unfulfilled conditions or contingencies relating to these government grants.

32. NON-CONTROLLING INTERESTS

The directors consider that the non-controlling interests of the Group during the Track Record Period were insignificant of the Group and thus are not separately presented in the Historical Financial Information. In addition, no separate financial information of the non-wholly owned subsidiary is required.

33. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing financing activities which are not reflected in the consolidated statements of cash flows:

During the year ended 31 December 2017, the Group acquired Zhuhai Ying Hai at a consideration of RMB1,500,000 (equivalent to approximately HK\$1,698,000), the consideration was settled by Mr. Choi and is included in amount due from a director.

During the year ended 31 December 2018, the Group acquired certain property, plant and equipment at a consideration of HK\$505,000, of which the consideration was paid during the year ended 31 December 2016.

During the year ended 31 December 2018, the Group disposed of one of its property, plant and equipment at a consideration of HK\$2,050,000, of which the consideration was received during the year ended 31 December 2017.

During the year ended 31 December 2018, dividend declared by the Company's subsidiary amounted to approximately HK\$874,000, was settled against amounts due from related companies and amount due from a director.

During the four months ended 30 April 2019, dividend declared by the Company amount to approximately HK\$8,891,000, was settled against amount due from immediate holding company.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Interest payable <i>HK\$'000</i>	Lease liabilities <i>HK\$'000</i>	Borrowings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2017	—	—	—	—
Financing cash flows	—	—	583	583
Finance costs	—	—	2	2
Government grant	—	—	(101)	(101)
At 31 December 2017 and at 1 January 2018	—	—	484	484
Financing cash flows	—	—	(583)	(583)
Finance costs	—	—	10	10
Loss on early repayment of unsecured loan	—	—	89	89
At 31 December 2018	—	—	—	—
Application of HKFRS 16	7	2,951	—	2,968
At 1 January 2019 (as restated)	7	2,951	—	2,958
Financing cash flows	(49)	(545)	4,383	3,789
Finance costs	48	—	—	48
Foreign exchange translation	—	(6)	—	(6)
At 30 April 2019	<u>6</u>	<u>2,400</u>	<u>4,383</u>	<u>6,789</u>
At 1 January 2018	—	—	484	484
Finance costs	—	—	3	3
At 30 April 2018 (unaudited)	<u>—</u>	<u>—</u>	<u>487</u>	<u>487</u>

35. EVENTS AFTER THE REPORTING PERIOD

On 3 September 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$120,000,000 divided into 12,000,000,000 shares by the creation of additional 11,962,000,000 shares.

36. COMPARATIVE INFORMATION

The Group has initially applied HKFRS 9 and HKFRS 16 on 1 January 2018 and 2019 respectively. Under the transition method, comparatives information is not restated unless otherwise indicated. Further details of the changes in accounting policies are disclosed in Note 3 to the Historical Financial Information.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statement of the Company or any of its subsidiaries in respect of any period subsequent to 30 April 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out below does not form part of the Accountants' Report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included in this prospectus for information purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") is for illustrative purposes only, and is set forth here to illustrate the effect of the proposed listing of the Company's shares on the Stock Exchange by way of share offer (the "**Share Offer**") on the consolidated net tangible assets of the Group attributable to the owner of the Company as at 30 April 2019 as if the Share Offer had taken place on 30 April 2019.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 April 2019 or at any future dates following the Share Offer. It is prepared based on the consolidated net assets of the Group as at 30 April 2019 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 HK\$'000 (Note 1)	Add: Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 30 April 2019 HK\$'000 (Note 3)	Unaudited pro forma adjusted net tangible assets per Share HK cents (Note 4)
Based on the minimum Indicative Offer Price of HK\$0.20 per share	<u>40,037</u>	<u>42,538</u>	<u>82,575</u>	<u>6.88</u>
Based on the maximum Indicative Offer Price of HK\$0.24 per share	<u>40,037</u>	<u>54,117</u>	<u>94,154</u>	<u>7.85</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets attributable to the owners of the Company as at 30 April 2019 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as at 30 April 2019 of approximately HK\$40,037,000.
- (2) The estimated net proceeds from the Share Offer are based on the indicative Offer Price of HK\$0.20 per share and HK\$0.24 per share after deduction of the underwriting fees and other related expenses in connection with the Share Offer.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after having made the adjustments referred to in the preceding paragraphs and on the basis that 1,200,000,000 shares in issue assuming the Share Offer has been completed on 30 April 2019 but without taking into account of any shares which may fall to be issued upon exercise of options granted under the Share Option Scheme or any Share which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to Issue Shares or the General Mandate to Repurchase Shares as described in the section headed "Share Capital" in this prospectus.
- (4) No adjustment has been made to the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 to reflect any trading result or other transaction of the Group entered into subsequent to 30 April 2019.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. REPORT FROM REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a reporting received from HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

13 September 2019

The Board of Directors
Ying Hai Group Holdings Company Limited

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of pro forma financial information of Ying Hai Group Holdings Company Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 April 2019, and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 13 September 2019 (the “**Prospectus**”). The applicable criteria on the basis of which the directors have compiled the pro forma financial information are described on Section A of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed offer of shares of the Company on the Group's consolidated net tangible assets as at 30 April 2019 as if the proposed offer of shares of the Company had taken place at 30 April 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 30 April 2019, on which an accountants' report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (“**GEM Listing Rules**”) and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentially and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2019 would have been presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Shek Lui

Practising Certificate Number: P05895

Hong Kong, 13 September 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 December 2018 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 3 September 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the

case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of our Company to purchase its own shares

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board

may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining our Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of our Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. Our Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of our Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time

to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things

which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among our Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. Our Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of our Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with our Company or any of its subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or

arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) Meetings of member**(i) *Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of our Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days

of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of our Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 18 December 2018 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and

- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of our Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for our Company is for a period of 20 years from 6 June 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

(t) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 December 2018.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 8 March 2019 and our principal place of business in Hong Kong is Room 1201, 12th Floor, Dawning House, 145 Connaught Road Central, Hong Kong. In connection with such registration, our Company has appointed Mr. Ng Shing Kin of Room 1201, 12th Floor, Dawning House, 145 Connaught Road Central, Hong Kong as our authorised representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As our Company is incorporated in the Cayman Islands, our Company is subject to the Companies Law and our constitution which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles is set out in Appendix III to this prospectus.

2. Changes in the share capital of our Company

- (a) As at the date of incorporation, the authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On the same date, one subscriber Share in our Company with a par value of HK\$0.01 was allotted and issued as fully paid to a nominee subscriber. On the same date, the said one Share was transferred to Silver Esteem for a consideration of HK\$0.01. Upon completion of the above transfer, Silver Esteem became the sole Shareholder of our Company.
- (b) On 3 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$120,000,000 divided into 12,000,000,000 Shares by the creation of an additional 11,962,000,000 Shares.

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$120,000,000 divided into 12,000,000,000 Shares, of which 1,200,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 10,800,000,000 Shares will remain unissued.

Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed “6. Written resolutions of our sole Shareholder passed on 3 September 2019” and “7. Repurchase of our Shares” under this appendix, the exercise of the options that may be granted under the Share Option Scheme and our Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in a general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this appendix and the paragraph headed “History, development and Reorganisation — Reorganisation” in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Further details are set out in the paragraph headed “History, development and Reorganisation — Reorganisation” in this prospectus.

4. Changes in share capital of the subsidiaries of our Company

Our Company’s subsidiaries are listed in the Accountants’ Report.

Save as disclosed in the paragraph headed “History, development and Reorganisation — Reorganisation” in this prospectus, there has been no alteration in the share capital or registered capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Further information about our PRC establishment

We have interests in the registered capital of one PRC subsidiary. A summary of the corporate information of such PRC subsidiary as at the Latest Practicable Date is set out as follows:

(i)	Name of the enterprise:	珠海瀛海企業策劃有限公司 (Zhuhai Ying Hai Corporate Planning Company Limited*)
(ii)	Date of establishment:	13 November 2015
(iii)	Nature:	Wholly foreign-owned enterprise
(iv)	Registered owner:	Ying Hai Tourism (Macau)
(v)	Total investment:	RMB3,800,000
(vi)	Registered capital:	RMB3,800,000
(vii)	Attributable interests to our Group:	100%
(viii)	Term of operation:	13 November 2015 to 13 November 2035

6. Written resolutions of our sole Shareholder passed on 3 September 2019

Written resolutions of our sole Shareholder were passed on 3 September 2019 approving, among other things, the following:

- (a) the Memorandum and the Articles were adopted as the memorandum of association and articles of association of our Company;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$120,000,000 divided into 12,000,000,000 Shares of HK\$0.01 each by the creation of additional 11,962,000,000 Shares, all of which shall rank equally in all respects with the existing Shares; and
- (c) conditional on (i) the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be allotted and issued as mentioned in this prospectus including our Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme; (ii) the Offer Price having been duly determined and the execution and delivery of the Underwriting Agreements on the dates as specified in this prospectus; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement (or any conditions as specified in this prospectus), in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:
 - (i) the Share Offer was approved and our Directors were authorised to (1) allot and issue Offer Shares pursuant to the Share Offer subject to the terms and conditions stated in this prospectus; (2) implement the Share Offer and the Listing; and (3) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
 - (ii) conditional upon the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise the amount of HK\$8,999,999.99 from the amount standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of 899,999,999 Shares for allotment and issue to our Shareholders whose names appear on the register of members of our Company at the close of business on 3 September 2019, or as each of them may direct in writing, in proportion (or as near as possible without involving the issue of fractions of Shares) to their then existing respective shareholdings in our Company and our Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the then existing Shares in issue;

- (iii) the rules of the Share Option Scheme were approved and adopted and our Board or any committee thereof established by our Board was authorised, at its sole discretion, to (1) administer the Share Option Scheme; (2) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (3) grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (4) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;
- (iv) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or upon the exercise of any option(s) that may be granted under the Share Option Scheme or under the Capitalisation Issue and the Share Offer, Shares in aggregate not exceeding (1) 20% of the total number of Share in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), (2) the total number of Shares in issue which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting varying, revoking or renewing the mandate granted to our Directors, whichever occurs first;
- (v) a general unconditional mandate was granted to our Directors to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of GEM (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), until the conclusion of our Company's next annual general meeting, or the date by which our Company's next annual general meeting is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting varying, revoking or renewing the mandate granted to our Directors, whichever occurs first; and

- (vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares in issue which may be allotted or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares as referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme).

7. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our sole Shareholder passed on 3 September 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of GEM (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting varying, revoking or renewing the mandate granted to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules and the Companies Law. A listed company must not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchase our Company may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital. Any amount of premium payable on the purchase over the par value of our Shares to be repurchased must be out of profits of our Company, out of our share premium account before or at the time our Shares are repurchased, or, subject to the Companies Law, out of capital.

(iii) Trading restrictions

A company is authorised to repurchase, on the Stock Exchange and/or on any other stock exchange recognised by the SFC and the Stock Exchange, the total number of shares which represent up to a maximum of 10% of the total number of shares of that company in issue at the date of the passing of the relevant resolution granting the repurchase mandate.

A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the Stock Exchange or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange.

In addition, a company is prohibited from making securities repurchase on GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange.

A company shall not purchase its shares on the Stock Exchange if the purchase price is 5% or more higher than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

Under the Companies Law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of our Company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (A) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (B) the deadline for the listed company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the GEM Listing Rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be submitted for publication to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to be granted a general mandate from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles, the GEM Listing Rules and the Companies Law.

On the basis of our current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or its gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, currently intends to sell any Shares to our Company or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum, the Articles and the applicable laws of Hong Kong and the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in voting rights increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

Our Company has not made any repurchases of our own securities since its incorporation.

No core connected person of our Company has notified us that he has a present intention to sell our Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**1. Summary of material contracts**


The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) a reorganisation agreement dated 20 February 2019 entered into among Mr. Choi, Ying Hai Entertainment, Endless Luck, Ample Coral, Brilliant Town and our Company, pursuant to which:
 - (i) Mr. Choi split one quota (share) with a nominal value of MOP1,000,000 in Ying Hai Tourism (Macau) into one quota (share) with a nominal value of MOP750,000 and one quota (share) with a nominal value of MOP250,000;
 - (ii) Mr. Choi split one quota (share) with a nominal value of MOP51,000 in Ying Hai Rent-A-Car (Macau) into one quota (share) with a nominal value of MOP50,000 and one quota (share) with a nominal value of MOP1,000;
 - (iii) Ample Coral acquired (a) one quota (share) with a nominal value of MOP750,000 in Ying Hai Tourism (Macau); (b) one quota (share) with a nominal value of MOP50,000 in Ying Hai Rent-A-Car (Macau); and (c) one quota (share) with a nominal value of MOP750,000 in C U Macau, from Mr. Choi, respectively, in consideration of Endless Luck allotting and issuing 150 shares in total, credited as fully paid, to our Company, at the direction of Mr. Choi; and
 - (iv) Brilliant Town acquired (a) one quota (share) with a nominal value of MOP250,000 from Mr. Choi and one quota (share) with a nominal value of MOP500,000 from Ying Hai Entertainment in Ying Hai Tourism (Macau), and combined them into one quota (share) with a nominal value of MOP750,000; (b) one quota (share) with a nominal value of MOP750,000 in C U Macau from Ying Hai Entertainment; and (c) one quota (share) with a nominal value of MOP1,000 and one quota (share) with a nominal value of MOP49,000 in Ying Hai Rent-A-Car (Macau) and combined them into one quota (share) with a nominal value of MOP50,000, from Mr. Choi, respectively, in consideration of Endless Luck allotting and issuing 150 shares in total, credited as fully paid, to our Company, at the directions of Mr. Choi and Ying Hai Entertainment.
- (b) a set-off deed dated 30 April 2019 entered into between the Company and Silver Esteem in relation to the set-off of an amount due from Silver Esteem to the Company against the dividend declared by the Company to Silver Esteem in the amount of HK\$8,891,272.52;
- (c) the Deed of Indemnity;
- (d) the deed of non-competition dated 3 September 2019 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for our subsidiaries from time to time) regarding certain non-competition undertakings); and
- (e) Public Offer Underwriting Agreement.



2. Intellectual property rights

(a) Trademarks

- (i) As at the Latest Practicable Date, we had registered the following trademarks which are, in the opinion of our Directors, material to our business:

Trademark	Owner	Class(es)	Place of registration	Trademark number	Expiry date
	Ying Hai Tourism (HK)	16, 39 and 43	Hong Kong	304641868	20 August 2028
	Ying Hai Tourism (HK)	16, 39 and 43	Hong Kong	304641877	20 August 2028
	Ying Hai Rent-A-Car (Macau)	39	Macau	N/122502	22 September 2024
	Ying Hai Rent-A-Car (Macau)	39	Macau	N/122503	22 September 2024
	C U Macau	35	Macau	N/120425	10 August 2024
	Ying Hai Tourism (Macau)	39	Macau	N/143845	22 March 2026
	Ying Hai Rent-A-Car (Macau)	39	Macau	N/148279	26 June 2026

- (ii) As at the Latest Practicable Date, we had applied for registration of the following trademarks which are, in the opinion of our Directors, material to our business:

Trademark	Applicant	Class(es)	Place of registration	Application number	Application date
	Ying Hai Rent-A-Car (Macau)	9, 36, 38, 39, 42	Hong Kong	304812435	24 January 2019
	Ying Hai Tourism (Macau)	39	Macau	N/153638	30 April 2019

(b) Domain name

As at the Latest Practicable Date, we had registered the following domain name, and the following domain name is, in the opinion of our Directors, material to our business:

Domain name	Registered owner	Expiry date
yinghaiholding.com	Ying Hai Tourism (Macau)	21 January 2022

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

- (a) *Interests and short positions of our Directors and chief executive of our Company in our Shares, underlying Shares and debentures of our Company and our Company's associated corporations***

Immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme), the interests or short positions of each Director and chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) once our Shares are listed, or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange once our Shares are listed, will be as follows:

Name of Director/ chief executive	Capacity / nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding
Mr. Choi (Note 2)	Interest in a controlled corporation	900,000,000 (L)	75%

Notes:

1. The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
2. Our Company will be directly owned as to 75% by Silver Esteem immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme). Silver Esteem will be wholly and beneficially owned by Mr. Choi. Under the SFO, Mr. Choi is deemed to be interested in the same number of Shares held by Silver Esteem.

None of our Directors or chief executive of our Company will immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) have any discloseable interests other than those as disclosed above.

(b) Interests and/or short positions of the substantial shareholders of our Company under the SFO

Please refer to the section headed “Substantial and significant Shareholders” in this prospectus for details of the persons (other than a Director or a chief executive of our Company)/corporations who/which will have an interest or short position in our Shares and underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or who/which is, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group.

Our Directors are not aware of any persons who will immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Share that may be allotted and issued upon the exercise of the options that may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in our Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in our Shares, other than those as disclosed above.

2. Particulars of Directors’ service agreements and letters of appointment

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless terminated by either party thereto giving at least three months’ written notice of non-renewal before the expiry of the then existing term.

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least one month’s written notice of non-renewal before the expiry of the then existing term.

Save as disclosed in this prospectus, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of our Directors

For FY2017, FY2018 and 4M2019, the aggregate emoluments paid and benefits in kind (excluding discretionary bonus and contributions to pension schemes) granted to our Directors by any member of our Group amounted to approximately HK\$0.3 million, HK\$0.5 million and HK\$0.2 million, respectively.

For FY2017, FY2018 and 4M2019, the aggregate of contributions to pension schemes for our Directors amounted to approximately HK\$1,000, HK\$2,000 and nil, respectively.

For FY2017, FY2018 and 4M2019, the aggregate discretionary bonuses paid to our Directors by any member of our Group amounted to approximately nil, nil and nil, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding discretionary bonus) payable by any member of our Group to, and benefits in kind receivable by our Directors for the year ending 31 December 2019 are expected to be approximately HK\$1.2 million.

None of our Directors or any past director(s) of any member of our Group has been paid any sum of money for FY2017, FY2018 and 4M2019 (a) as an inducement to join or upon joining our Company or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for FY2017, FY2018 and 4M2019.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by any member of our Group to each of our Directors will be as follows:

	<i>HK\$'000</i>
Executive Directors	
Mr. Choi	1,800
Mr. Leong	720
Independent non-executive Directors	
Mr. Sou Sio Kei	150
Mr. Rodrigues Cesar Ernesto	150
Mr. Hu Chung Ming	150

Each of our executive Directors, and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by us Group from time to time or for providing services to us or executing their functions in relation to our business and operations.

Save as disclosed in this prospectus, no other emoluments have been paid or are payable in respect of FY2017, FY2018 and 4M2019 by any member of our Group to our Directors.

4. Related party transactions

Details of the related party transactions are set out in note 29 to the Accountants' Report.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or the experts named in the paragraph headed "E. Other information — 7. Qualifications of experts" in this appendix below has been directly or indirectly interested in the promotion of, or in any asset which has been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of our Directors nor the experts named in the paragraph headed "E. Other information — 7. Qualifications of experts" in this appendix below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (c) none of the experts named in the paragraph headed "E. Other information — 7. Qualifications of experts" in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentives or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group or any entity in which any member of our Group holds any equity interest (the "**Invested Entity**"). As at the Latest Practicable Date, there was no Invested Entity other than members of our Group, and our Group has not identified any potential Invested Entity for investment.

(b) Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the GEM Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

- (i) any employee (whether full time or part time, including our Directors (including any executive Director and independent non-executive Director)) of our Company, any of our subsidiaries (within the meaning of the Companies Ordinance) or any Invested Entity (an “**eligible employee**”);
- (ii) any supplier of goods or services to any member of our Group or any Invested Entity;
- (iii) any customer of any member of our Group or any Invested Entity;
- (iv) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (v) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vi) any adviser (professional or otherwise), consultant, individual or entity who in the opinion of our Directors has contributed or will contribute to the growth and development of our Group; and
- (vii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly-owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer under the Share Option Scheme shall be determined by our Directors from time to time on the basis of our Directors’ opinion as to such eligible participant’s contribution to the development and growth of our Group.

(c) Maximum number of Shares

- (i) The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time.
- (ii) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the total number of Shares (assuming the Share Option Scheme is not exercised) in issue at the time dealings in our Shares first commence on the Stock Exchange, being 120,000,000 Shares (the “**General Scheme Limit**”).
- (iii) Subject to (i) above and without prejudice to (iv) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not exceed 10% of our Shares in issue (assuming the Share Option Scheme is not exercised) as at the date of the approval of the limit and for the purpose of calculating the limit, options (including options outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted.
- (iv) Subject to (i) above and without prejudice to (iii) above, our Company may seek separate shareholders’ approval in a general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit, or if applicable, the extended limit referred to in (iii) above to eligible participants specifically identified by our Company before such approval is sought.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of the options under the Share Option Scheme and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of our Shares in issue for the time being. Where any further grant of options under the Share Option Scheme to a grantee would result in our Shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option scheme of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by our Shareholders in a general meeting with such grantees and their close associates (or his associates if the participant is a connected person) abstaining from voting.

(e) Grant of options to core connected persons

- (i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or substantial shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).
- (ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to a substantial shareholder of our Company or an independent non-executive Director or any of their respective associates, would result in our Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
 - (1) representing in aggregate over 0.1% of our Shares in issue; and
 - (2) having an aggregate value, based on the closing price of our Shares on the offer date of each grant, in excess of HK\$5 million;

such further grant of options must be approved by our Shareholders in a general meeting. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

For the purpose of seeking the approval of our Shareholders under paragraphs (c), (d) and (e) above, our Company must send a circular to our Shareholders containing the information required under the GEM Listing Rules and where the GEM Listing Rules shall so require, the vote at our Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the GEM Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a business day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee thereof, and in the absence of such determination, from the date of acceptance of the offer of such option to the earlier of (i) the date on which such option lapses under the relevant provisions of the Share Option Scheme; and (ii) the date falling 10 years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in our Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Performance targets

Unless otherwise determined by our Directors and stated in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.

(h) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the offer date;
- (ii) the average closing price of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (iii) the nominal value of a Share.

(i) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank equally in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered in the register of members of our Company as the holder thereof.

(j) Restrictions on the time of grant of options

For so long as the Shares are listed on the Stock Exchange, an offer may not be made after inside information has come to our Company’s knowledge until we have announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our result for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for our Company to publish announcements of our results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights of ceasing employment

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the grantee is an eligible employee and in the event of his ceasing to be an eligible employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an eligible employee, the date on which the grantee ceases to be an eligible employee by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an eligible employee.

(o) Rights on breach of contracts

In respect of a grantee other than an eligible employee, the date on which our Directors shall at their absolute discretion determine that (i)(1) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group or any Invested Entity on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(1) to (3).

(p) Rights on a general offer, a compromise or an arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other terms on which his option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee our Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of our Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation equally with the holders of our Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(r) Grantee being a company wholly-owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

- (i) the provisions of paragraphs (l), (m), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, mutatis mutandis, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (l), (m), (n) and (o) above shall occur with respect to the relevant eligible participant; and
- (ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(s) Adjustment of the subscription price

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of our Shares or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or
- (ii) the subscription price of any option; and/or
- (iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes) for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
- (iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
- (iv) any such adjustment shall be made in compliance with the GEM Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the relevant provisions of the GEM Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(t) Cancellation of options

Subject to the provisions in the Share Option Scheme and the GEM Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by our Shareholders pursuant to paragraph (c)(ii) or (c)(iv) above.

(u) Termination of the Share Option Scheme

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provision of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) *Rights are personal to grantee*

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(w) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r) above; or (iii) the date on which our Directors exercise our Company's right to cancel the option by reason of paragraph (v) above.

(x) *Others*

(i) The Share Option Scheme is conditional upon:

- (1) the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and
- (2) the passing of the necessary resolution to approve and adopt the Share Option Scheme in a general meeting or by way of written resolution of our Shareholders.

(ii) The provisions of the Share Option Scheme relating to the matters governed by Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of grantees or prospective grantees except with the prior sanction of a resolution of our Company in a general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of our Shares under the Articles for the time being for a variation of the rights attached to our Shares.

(iii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by our Shareholders except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iv) The terms of the Share Option Scheme and/or any options amended must comply with the applicable requirements of the GEM Listing Rules.

(v) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in a general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares to be allotted and issued within the General Scheme Limit pursuant to the exercise of options that may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

The Controlling Shareholders (collectively, the “**Indemnifiers**”) have, under the Deed of Indemnity, given joint and several indemnities to our Company (for ourselves and as trustee for and on behalf of our subsidiaries) in connection with, among other things:

- (a) any taxation (including estate duty) falling on any member of our Group any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, enter into (or deemed to be so earned, accrued, received or enter into) or occurring on or before the date on which the Share Offer becomes unconditional, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any and all taxation resulting from the receipt by any member of our Group of any amount paid by the Indemnifiers under the Deed of Indemnity; and/or
- (b) all reasonable costs (including all legal costs), expenses or other liabilities which any member of our Group may incur in connection with:
 - (i) the investigation, assessment, settlement or contesting of any taxation claim;
 - (ii) the settlement of any claim under the Deed of Indemnity;
 - (iii) any legal proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given for any member of our Group; or
 - (iv) the enforcement of any such settlement or judgment.

The Indemnifiers shall be under no liability under the Deed of Indemnity, among other things:

- (a) to the extent that provision has been made for such taxation in the audited consolidated accounts of the members of our Group for the Track Record Period;
- (b) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in the law or regulations or practice by the Inland Revenue Department of Hong Kong or any other tax or government authorities in any part of the world coming into force after the date on which the Share Offer becomes unconditional or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date on which the Share Offer becomes unconditional with retrospective effect; or
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the Share Offer becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and the BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Litigation

To the best knowledge of our Directors, as at the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

3. Application for listing of our Shares

We have applied to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be allotted and issued as mentioned in this prospectus. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance Adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Lego Corporate Finance Limited as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date.

5. Preliminary expenses

The estimated preliminary expenses to the incorporation of our Company are approximately HK\$68,512.6 and have been payable by our Company.

6. Promoter

We do not have any promoter.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice in this prospectus:

Name	Qualifications
Advogado Leong Hon Man	Legal advisers to our Company as to Macau law
Appleby	Legal advisers to our Company as to Cayman Islands law
HLB Hodgson Impey Cheng Limited	Certified public accountants
Ipsos Limited	Industry consultant
Lego Corporate Finance Limited	A corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity as defined in the SFO
Ms. Queenie W. S. Ng	Barrister-at-law of Hong Kong
Tian Yuan Law Firm	Legal advisers to our Company as to PRC law

8. Consents of experts

Each of the experts referred to above has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion (as the case may be), all of which are dated the date of this prospectus, and reference to its name included in the form and context in which it respectively appears in this prospectus.

9. Fees of the Sole Sponsor

The Sole Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of approximately HK\$5.9 million in relation to the Listing and will be reimbursed for their expenses.

10. Independence of the Sole Sponsor

Neither the Sole Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the Share Offer, other than the following:

- (a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sole Sponsor for acting as the sponsor of the Listing;
- (b) by way of the compliance advisory fee to be paid to the Sole Sponsor as our Company's compliance adviser pursuant to the requirements under Rule 6A.19 of the GEM Listing Rules; and
- (c) by way of underwriting commission and/or other underwriting fees as stipulated in the Underwriting Agreements to be paid to Lego Securities Limited for acting as the Sole Bookrunner, a Joint Lead Manager and one of the Underwriters.

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Listing, any interest in any class of securities of our Company or any of our subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in our Company or any member of our Group. The Sole Sponsor is independent from our Group under Rule 6A.07 of the GEM Listing Rules.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued as fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

- (b) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares;
- (c) no founder, management or deferred shares of our Company have been allotted and issued or agreed to be allotted and issued;
- (d) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (e) our Company has no outstanding convertible debt securities;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (g) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.

13. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

1. copies of the **WHITE** and **YELLOW** Application Forms;
2. the written consents as referred to in the paragraph headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus; and
3. copies of the material contracts as referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of ONC Lawyers at 19th Floor, Three Exchange Square, 8 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the Accountants’ Report from HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Group for FY2017, FY2018 and 4M2019;
4. the report from HLB Hodgson Impey Cheng Limited on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
5. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
6. the legal opinions issued by the PRC Legal Advisers;
7. the legal opinion issued by the Macau Legal Advisers;
8. the legal opinion issued by the Hong Kong Legal Counsel;
9. the Ipsos Report;
10. the Companies Law;

11. the rules of the Share Option Scheme;
12. the material contracts as referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
13. the service agreements and letters of appointment as referred to in the paragraph headed “C. Further information about our Directors and substantial shareholders — 2. Particulars of Directors’ service agreements and letters of appointment” in Appendix IV to this prospectus; and
14. the written consents as referred to in the paragraph headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus.