
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 HK\$'000 | Gross profit margin (Note 4) % | Revenue HK\$'000 | Gross Profit (Note 4) HK\$'000 | Revenue HK\$'000 (unaudited) | Gross Profit (Note 4) HK\$'000 (unaudited) | Revenue HK\$'000 | Gross profit margin (Note 4) % |
| Sales and distribution of hotel rooms (Note 1) | 111,451 | 21.6 | 155,670 | 30,275 | 51,114 | 10,976 | 57,427 | 20.0 |
| Provision of car rental services (Note 2) | 4,980 | 27.3 | 8,585 | 2,900 | 1,615 | 586 | 4,281 | 36.7 |
| Sales and provision of air tickets and other ancillary travel-related products and services (Note 3) | 1,197 | 100.0 | 1,407 | 1,407 | 536 | 536 | 449 | 100.0 |
| Total | 117,628 | 22.7 | 165,662 | 34,582 | 53,265 | 12,098 | 62,157 | 21.8 |

1 Notes:

2

1

1. 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.

2. Revenue generated from the provision of car rental services was presented on gross basis.

3. Revenue generated from the sales and provision of air tickets and other ancillary travel-related products were presented on net basis.

4. 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

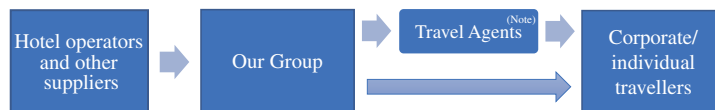
The following table sets forth the breakdown of our revenue, gross profit and gross profit margins by sales channels during the Track Record Period:

| | FY2017 | | | FY2018 | | | 4M2018 | | | 4M2019 | | |
|--|----------------|---------------|---------------------|----------------|---------------|---------------------|--------------------|---------------|---------------------|--------------------|---------------|---------------------|
| | Gross 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 | HK\$'000 | % | HK\$'000 | HK\$'000 | % |
| | | | | | | | <i>(unaudited)</i> | | | <i>(unaudited)</i> | | |
| 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

| | <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 | 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:

| | <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> | |
| 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> |

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 | | As at 30 |
|-------------------------|-------------------|-----------------|--------------------------------|
| | 2017 | 2018 | April |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>2019</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 |
| | 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 | | 31 | | 30 | | | |
| | | June 2020 HK\$'000 | December 2020 HK\$'000 | June 2021 HK\$'000 | December 2021 HK\$'000 | June 2022 HK\$'000 | 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.