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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 in this prospectus describes our self-drive rent-a-car services authorised by the MGTO under Decree Law No. 52/84/M.

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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>

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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.

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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

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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

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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.

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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

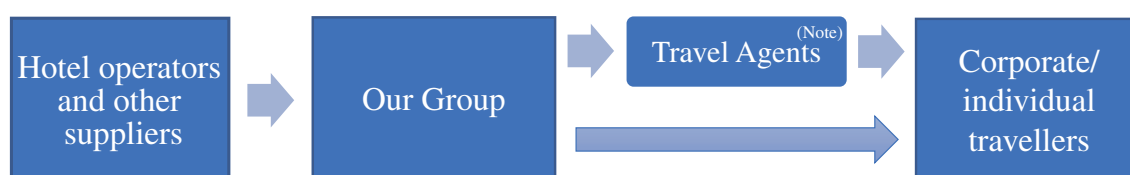
During the Track Record Period, our products and services can be categorised into three major types: (i) sales and distribution of hotel rooms; (ii) provision of car rental services; and (iii) sales and provision of air tickets and other ancillary travel-related products and services. In addition, we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

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(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:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2019</u>
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.

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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.

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(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.

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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	%
	<i>(unaudited)</i>							
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					Total
	Through Customer A <i>(Note 2)</i>	Through other Selected Partners <i>(Note 2)</i>	To Customer A <i>(Note 3)</i>	To other Selected Partners <i>(Note 3)</i>	By direct sales/to non-Selected Partners	
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 <i>(Note 1)</i>	—	—	3,265	—	4,005	7,270
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>

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FY2018

	Number of hotel rooms sold and distributed					Total
	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	
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					Total
	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	
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.

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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	%
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>

(unaudited)

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

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

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.

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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.

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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.

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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	%
<i>(unaudited)</i>								
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>

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	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
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><u>117,628</u></u>	<u><u>100.0</u></u>	<u><u>165,662</u></u>	<u><u>100.0</u></u>	<u><u>53,265</u></u>	<u><u>100.0</u></u>	<u><u>62,157</u></u>	<u><u>100.0</u></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.

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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.

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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.

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	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.

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	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

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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.

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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.

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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.

BUSINESS

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 products/services	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			
				FY2017	FY2018			4M2019	FY2017	FY2018	4M2019	FY2017	FY2018	4M2019	FY2017	FY2018	4M2019	FY2017	FY2018	4M2019
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 Macau; Regency Art Hotel; Waldo Hotel; Macao; Regency Art Hotel; Waldo Hotel; Macao; Hotel Y; Hotel W; Hotel X; Hotel Z; Hotel P	L'Arc Hotel Macau; Regency Art Hotel; Waldo Hotel; Macao; Regency Art Hotel; Waldo Hotel; Macao; Hotel Y; Hotel W; Hotel X; Hotel Z; Hotel P	L'Arc Hotel Macau; Regency Art Hotel; Waldo Hotel; Macao; Regency Art Hotel; Waldo Hotel; Macao; Hotel Y; Hotel W; Hotel X; Hotel Z; Hotel P	103,047	83,650	26,282	39,706	30,755	13,258	53,889	63,241	14,909
Customer B	Travel agent	the PRC	Hotel rooms	(i)	(i)	(i)	2017	2019	Waldo Hotel Macao	Waldo Hotel Macao	N/A	3,850	4,670	N/A	2,524	3,252	N/A	N/A	N/A	
廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd*)	Travel agent	the PRC	Hotel rooms	(i); (ii)	(i); (iii)	(i); (iii)	2017	N/A	L'Arc Hotel Macau; Pousada Marina Infante Macau; Regency Art Hotel; Waldo Hotel; Macao; Roosevelt Hotel; Hotel V	Pousada Marina Infante Macau; Roosevelt Hotel; Hotel V	N/A	4,068	36,940	14,992	1,121	25,213	12,383	3,338	N/A	N/A
Hai Yang Company Limited	Marketing planning, promotion and business management	Macau	Hotel rooms and other travel-related ancillary products	N/A	(ii)	(ii)	2018	N/A	L'Arc Hotel Macau	L'Arc Hotel Macau	N/A	N/A	6,655	2,715	9,382	5,254	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	N/A	1,112	N/A	N/A	750	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	N/A	1,800	3,592	2,859	5,756	N/A	N/A	N/A	
												44,101	71,461	36,651	57,227	63,241	14,909			

Notes:

- (i) Cooperation Agreement
- (ii) Distribution Agreement
- (iii) Framework Agreement

BUSINESS

Selection of Selected Partners

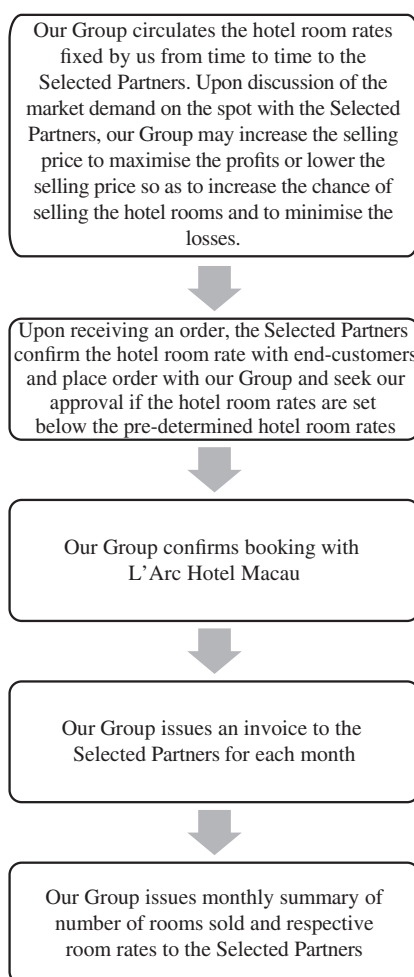
Our sales department is primarily responsible for the selection of Selected Partners. Our Group will take into account, among others, (i) credibility; (ii) reputation; (iii) background and experience; (iv) size; (v) payment history; and (vi) types and nature of its customer base to evaluate a potential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

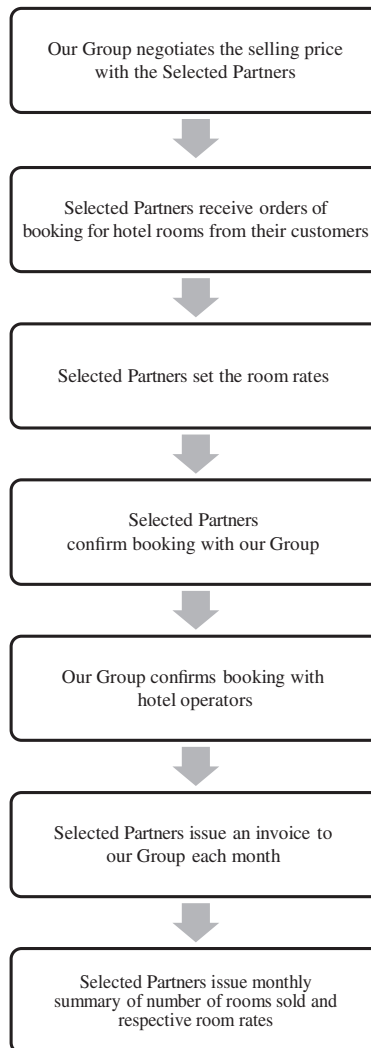
Upon receiving order from customer, the Selected Partners will seek confirmation with us on the availability of the type of hotel room required by the end-customer, and confirm booking with end-customer if the room is available or to offer alternatives if the required hotel room is not available.

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%
						93,437	75.7%

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%
						118,389	76.2%

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%
						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 (ii) 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 ^{(b)(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 ^(v)	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)(A)(C)}	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

FY2018

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 to and 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 (ii) 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 under the arrangement of (i), (ii) and (iii) method	Typical payment terms and relationship with our Group	Year of commencement of business relationship with our Group	Revenue generated from customer under the arrangement of (i) and (ii) 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 gross revenue	Approximate % of total revenue generated through customer to our total gross 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; 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.) ^{(v)(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 ^(v)	Travel agent	Macau	Hotel rooms and car rental services	(iii)	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	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.

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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

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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

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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

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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

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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

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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).

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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

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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

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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.

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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.

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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.

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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.

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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	<u>74</u>

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

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.

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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.

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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)

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Use of Property	Address	Approximate gross floor area (<i>sq.ft</i>)	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

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Use of Property	Address	Approximate gross floor area (<i>sq.ft</i>)	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

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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

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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.

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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.

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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.

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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.