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

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

OVERVIEW

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

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

BASIS OF PRESENTATION

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

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

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

KEY FACTORS AFFECTING THE RESULTS OF OPERATIONS

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

Reliance on our key customers

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

Reliance on our key suppliers

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

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

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Changes in macroeconomic conditions and travel industry of Macau

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

Seasonality

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

Fluctuations in our cost of services

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

APPLICATION OF HKFRSs

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

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

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HKFRS 15

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

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

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

HKFRS 9

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

HKFRS 16

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

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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

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in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on, among other things, our experience, our observance of trends in the industry, and information available from outside sources, as appropriate. There is no assurance that our judgments will prove correct or that actual results reported in future periods will not differ from our expectations reflected in our accounting treatment of certain items.

We believe the following accounting policies involve the more significant judgments and estimates used in the preparation of our consolidated financial statements. Details regarding our significant accounting policies and critical accounting estimates and judgments are set out in notes 4 and 6 to the Accountants' Report.

Revenue recognition

Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. If control is transferred over time, revenue is recognised over time by reference to the progress toward complete satisfaction of the relevant performance obligation if certain criteria is met. Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue recognition on sales and distribution of hotel rooms

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

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

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

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

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Margin income on sales and distribution of hotel rooms

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

For further details regarding our accounting policy relating to revenue recognition, please refer to note 4 to the Accountants' Report.

Leases

For our provision of vehicle leasing, rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease terms.

All of the properties used by our Group for operations are under operating lease, please refer to the paragraph headed "Business — Properties — Leased properties" in this prospectus for details. Upon adoption of HKFRS 16 on 1 January 2019, the distinction between operating lease and finance lease is removed for lessee accounting and our Group recognised right-of-use assets and the corresponding lease liabilities of the leases available for use by our Group. For further details regarding our accounting policy relating to leasing, please refer to note 4 to the Accountants' Report.

Taxation

Income tax expenses included the current tax and deferred tax. The current tax is based on taxable profit for the year. Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Current and deferred tax are recognised in profit or loss.

We are subject to Macau Complementary Tax and PRC Enterprise Income tax. For further details, please refer to notes 4 and 13 to the Accountants' Report.

Foreign currency translation

Our transactions are primarily settled in MOP, HK\$ and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities while we present our financial statement in HK\$, which are denominated in a currency that is not the functional currency of our Group.

Our Group is not exposed to foreign exchange risk in respect of HK\$ against MOP as long as these currencies are pegged. Further, the transactions and monetary assets denominated in RMB are minimal, our Group considers there is no significant foreign exchange risk in respect of RMB.

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Our Group currently does not have a foreign currency hedging policy in respect of assets and liabilities denominated in foreign currency. Our Group will monitor our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2018</u>	<u>4M2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Revenue	117,628	165,662	53,265	62,157
Cost of Sales	<u>(90,848)</u>	<u>(130,974)</u>	<u>(41,129)</u>	<u>(48,608)</u>
Gross profit	26,780	34,688	12,136	13,549
Other gain and income	190	18	—	383
Administrative expenses	(6,067)	(10,005)	(3,028)	(4,888)
Listing expenses	—	(5,828)	—	(5,500)
Finance costs	<u>(2)</u>	<u>(10)</u>	<u>(3)</u>	<u>(48)</u>
Profit before tax	20,901	18,863	9,105	3,496
Income tax expenses	<u>(2,665)</u>	<u>(2,587)</u>	<u>(1,194)</u>	<u>(603)</u>
Profit for the year/period	18,236	16,276	7,911	2,893
Other comprehensive income/(loss)				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
— Exchange differences on translation of financial statements	<u>194</u>	<u>(216)</u>	<u>145</u>	<u>70</u>
Total comprehensive income for the year/period	<u>18,430</u>	<u>16,060</u>	<u>8,056</u>	<u>2,963</u>
Adjusted profit for the year/period (excluding Listing expenses)^(Note)	<u>18,236</u>	<u>22,104</u>	<u>7,911</u>	<u>8,393</u>
Profit for the year/period attributable to:				
— Owner of our Company	18,218	16,276	7,911	2,893
— Non-controlling interests	<u>18</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>18,236</u>	<u>16,276</u>	<u>7,911</u>	<u>2,893</u>
Total comprehensive income for the year/period attributable to:				
— Owner of our Company	18,407	16,060	8,056	2,963
— Non-controlling interests	<u>23</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>18,430</u>	<u>16,060</u>	<u>8,056</u>	<u>2,963</u>

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Note:

Non-HKFRS measures

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

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

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

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

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

For FY2017, FY2018 and 4M2019, we derived our revenue from (i) sales and distribution of hotel rooms, which contributed approximately 94.8%, 94.0% and 92.4% of our total revenue, respectively; and (ii) provision of car rental services, which contributed approximately 4.2%, 5.2% and 6.9% of our total revenue, respectively; and (iii) sales and provision of air tickets and other ancillary travel-related products and services, which contributed approximately 1.0%, 0.8% and 0.7% of our total revenue, respectively.

Our revenue increased by approximately HK\$48.1 million from approximately HK\$117.6 million for FY2017 to approximately HK\$165.7 million for FY2018, representing an increase of approximately 40.8%, and increased by approximately HK\$8.9 million from approximately HK\$53.3 million for 4M2018 to approximately HK\$62.2 million for 4M2019, representing an increase of approximately 16.7%. Sales and distribution of hotel rooms was the main driver of the increase in our revenue, which accounted for an increase of approximately HK\$44.2 million from FY2017 to FY2018 and approximately HK\$6.3 million from 4M2018 to 4M2019.

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The following table sets forth the components of our revenue by operating segment for the years or periods indicated:

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

Note: Our Group secures the hotel rooms mainly through four sources: (i) guaranteed number of hotel rooms at Pre-determined Room Rates from hotel operators; (ii) hotel rooms purchased from hotel operators by way of allotment from time to time; (iii) purchase of hotel rooms from hotel operators at promotion rates; and (iv) ad-hoc purchase of hotel rooms from hotel operators or other suppliers. For sources (i), (ii) and (iii), our Group controls the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on gross basis as principal. For source (iv), our Group does not control the hotel rooms before those hotel rooms are transferred to customers and recognises revenue on net basis as agent. For details of each sources of hotel rooms, please refer to the paragraph headed “Business — Products and services — Sales and distribution of hotel rooms” in this prospectus.

The increase in revenue generated from the sales and distribution of hotel rooms of approximately 39.7% and 12.4% from FY2017 to FY2018 and from 4M2018 to 4M2019, respectively, was primarily attributable to the increase in the number of hotel rooms sold and distributed and the average hotel room rates. For FY2018, the number of hotel rooms sold and distributed and the average hotel room rates increased by approximately 20.8% and 9.3%, respectively, as compared to FY2017. For 4M2019, the number of hotel rooms sold and distributed and the average hotel room rates increased by approximately 4.4% and 4.6%, respectively, as compared to 4M2018.

The increase in the number of hotel rooms sold and distributed during FY2018 was mainly driven by (i) the commencement of sales and distribution of hotel rooms of approximately 7,200 hotel rooms of Macau Roosevelt Hotel during FY2018; (ii) increase of approximately 10,000 rooms of L’Arc Hotel Macau sold and distributed; (iii) increase of approximately 9,000 rooms of Pousada Marina Infante Macau sold and distributed; and (iv) increase of approximately 5,000 rooms of Hotel V sold and distributed as compared to corresponding year. The increase in the number of hotel rooms sold and distributed during 4M2019 was mainly driven by (i) increase of approximately 2,400 hotel rooms of Pousada Marina Infante Macau sold and distributed; (ii) increase of approximately 2,000 hotel rooms of Regency Art Hotel sold and distributed; (iii) increase of approximately 1,300 hotel rooms of Macau Roosevelt Hotel sold and distributed; and (iv) the commencement of sales and distribution of hotel rooms of approximately 200 hotel rooms of Hotel P during 4M2019 as compared to corresponding period.

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The increase in our average hotel room rates during the Track Record Period was mainly driven by the macro environment. According to the Ipsos Report, the average room rates of hotel rooms in Macau for FY2018 increased by approximately 7.0% as compared to FY2017 and the average room rates further increased by 0.6% for 4M2019 as compared to FY2018.

Our Directors believe that, given (i) the increase in number of hotels in our portfolio; (ii) an increased guaranteed number of hotel rooms under the Hotel Rooms Guarantee Agreements; (iii) the synergy driven by our integrated model to offer one-stop service; and (iv) our relatively small scale as compared to our competitors as stated in the paragraph headed “Industry overview — Competitive landscape of the travel agent industry in Macau” in this prospectus, the growth rate of our revenue exceeded the industry during the Track Record Period.

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Travel business

During the Track Record Period, our travel business included (i) sales and distribution of hotel rooms; and (ii) sales and provision of air tickets and other ancillary travel-related products and services.

For illustrative purpose, the following table sets forth the reconciliation of revenue and gross proceeds of our travel business segment by types of business models for the years or periods indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2018</u>	<u>4M2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Revenue generated from the sales and distribution of hotel rooms pursuant to:				
- Distribution Agreements ^(Note 1)	57,227	63,241	24,287	14,909
- Cooperation Agreements ^(Note 2)	44,101	54,813	18,681	13,258
- Framework Agreements ^(Note 3)	—	16,649	—	23,392
- Direct sales ^(Note 4)	7,684	19,228	7,509	5,468
	<u>109,012</u>	<u>153,931</u>	<u>50,477</u>	<u>57,027</u>
Revenue generated from the sales and distribution of hotel rooms as principal				
	<u>109,012</u>	<u>153,931</u>	<u>50,477</u>	<u>57,027</u>
Gross proceeds generated from the sales and distribution of hotel rooms	16,640	12,047	4,525	3,058
Cost of hotel rooms	(14,201)	(10,308)	(3,888)	(2,658)
Margin income generated from the sales and distribution of hotel rooms ^(Note 5)	<u>2,439</u>	<u>1,739</u>	<u>637</u>	<u>400</u>
Total revenue generated from the sales and distribution of hotel rooms	<u>111,451</u>	<u>155,670</u>	<u>51,114</u>	<u>57,427</u>
<i>Representing:</i>				
Revenue generated from the sales and distribution of hotel rooms as principal	109,012	153,931	50,477	57,027
Gross proceeds generated from the sales and distribution of hotel rooms as agents	<u>16,640</u>	<u>12,047</u>	<u>4,525</u>	<u>3,058</u>
Total gross proceeds generated from the sales and distribution of hotel rooms	<u>125,652</u>	<u>165,978</u>	<u>55,002</u>	<u>60,085</u>

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	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Gross proceeds generated from the sales and provision of air tickets and other ancillary travel-related products and services	20,787	20,395	8,801	6,852
Cost of air tickets and other ancillary travel-related products and services	<u>(19,590)</u>	<u>(18,988)</u>	<u>(8,265)</u>	<u>(6,403)</u>
Margin income generated from the sales and provision of air tickets and other ancillary travel-related products and services ^(Note 5)	<u>1,197</u>	<u>1,407</u>	<u>536</u>	<u>449</u>

Notes:

1. For hotel rooms of L'Arc Hotel Macau sold and distributed through the Selected Partners to our customers, our Group determined the prices and monitored and actively participated in the process of transactions, thus we acted as principal for the transactions, and revenue and cost of hotel rooms were presented on gross basis. Respective cost of hotel rooms and distribution service fees were recorded under cost of sales. Such gross revenue amount was recorded as the revenue of our Group. For details of the business models, please refer to the section headed "Business" in this prospectus.
2. For those hotel rooms sold and distributed to the Selected Partners, the Selected Partners determined the prices and are principally responsible for the process of transactions. The revenue represented receipts from end-customers netting off the portion of results attributable to the Selected Partners. For details of the business models, please refer to the section headed "Business" in this prospectus.
3. For those hotel rooms sold and distributed to the Selected Partners, the Selected Partners determined the prices. For details of the business models, please refer to the section headed "Business" in this prospectus.
4. For those hotel rooms directly sold to (i) end customers at our service points; (ii) online travel agent platforms; and (iii) other corporate customers.
5. It represented the hotel rooms, air tickets and other ancillary travel-related products and services sold and distributed by our Group as an agent under which there were no pre-determined arrangement, and our Group earned margin income on net basis. For details of the business models, please refer to the section headed "Business" in this prospectus.

Revenue generated from the sales and distribution of hotel rooms

We generated the majority of our total revenue generated from the sales and distribution of hotel rooms, which amounted to approximately HK\$111.5 million, HK\$155.7 million, HK\$51.1 million and HK\$57.4 million for FY2017, FY2018, 4M2018 and 4M2019, respectively. The majority of our revenue generated from the sales and distribution of hotel rooms was mainly derived from (i) sales

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and distribution of hotel rooms (under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales); and (ii) the margin income from the sales and distribution of hotel rooms. The following table sets forth the breakdown of our revenue generated from the sales and distribution of hotel rooms for the years or periods indicated:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Sales and distribution of hotel rooms (under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales)	109,012	153,931	50,477	57,027
Margin income generated from the sales and distribution of hotel rooms	2,439	1,739	637	400
Total revenue generated from the sales and distribution of hotel rooms	111,451	155,670	51,114	57,427

Our revenue generated from the sales and distribution of hotel rooms increased by approximately HK\$44.2 million, or 39.7%, from approximately HK\$111.5 million for FY2017 to approximately HK\$155.7 million for FY2018 and increased by approximately HK\$6.3 million, or 12.4%, from approximately HK\$51.1 million for 4M2018 to approximately HK\$57.4 million for 4M2019, which was mainly driven by the increase in revenue generated from the sales and distribution of hotel rooms (under the Distribution Agreements, Cooperation Agreements and Framework Agreements and by direct sales).

Sales and distribution of hotel rooms (under the Distribution Agreements Cooperation Agreements and Framework Agreements and by direct sales)

Revenue generated from the sales and distribution of hotel rooms (under the Distribution Agreements Cooperation Agreements and Framework Agreements and by direct sales) (which we acted as principal) represented the revenue generated from the sales and distribution of those hotel rooms by direct sales and for which we have entered into agreements to sell and distribute the hotel rooms to the Selected Partners and through the Selected Partners. For details of the business models, please refer to the section headed “Business” in this prospectus.

Our revenue generated from the sales and distribution of hotel rooms (under the Distribution Agreements Cooperation Agreements and Framework Agreements and by direct sales) increased by approximately HK\$44.9 million, representing an increase of approximately 41.2% from approximately HK\$109.0 million for FY2017 to approximately HK\$153.9 million for FY2018 and increased by approximately HK\$6.6 million, representing an increase of approximately 13.0% from approximately HK\$50.5 million for 4M2018 to approximately HK\$57.0 million for 4M2019. Such increase was mainly due to (i) the increase in the number of hotel rooms sold and distributed; and (ii) the increase in the average hotel room rates of the rooms sold and distributed from preceding corresponding year or period.

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Margin income from the sales and distribution of hotel rooms

Margin income from the sales and distribution of hotel rooms represented the sales and distribution of hotel rooms (which we acted as an agent), which we did not control price and we earned the difference between the gross proceeds and the respective cost of hotel rooms. For details of the business models, please refer to the section headed “Business” in this prospectus. Our margin income from the sales and distribution of hotel rooms decreased by approximately HK\$0.7 million, representing a decrease of approximately 28.7% from approximately HK\$2.4 million for FY2017 to approximately HK\$1.7 million for FY2018 and decreased by approximately HK\$0.2 million, representing a decrease of approximately 37.2% from approximately HK\$0.6 million for 4M2018 to approximately HK\$0.4 million for 4M2019. Such decrease was mainly due to the decrease in number of hotel rooms sold and distributed by us as agent.

(i) Analysis by hotel

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

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<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	<u>2,439</u>	<u>2.2</u>	<u>1,739</u>	<u>1.1</u>	<u>637</u>	<u>1.2</u>	<u>400</u>	<u>0.7</u>
Total revenue generated from the sales and distribution of hotel rooms	<u>111,451</u>	<u>100.0</u>	<u>155,670</u>	<u>100.0</u>	<u>51,114</u>	<u>100.0</u>	<u>57,427</u>	<u>100.0</u>

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The increase of approximately HK\$29.5 million in revenue generated from the sales and distribution of hotel rooms of L’Arc Hotel Macau, which represents an increase of approximately 45.5% from approximately HK\$64.8 million for FY2017 to approximately HK\$94.3 million for FY2018, was mainly due to (i) the increase in the number of hotel rooms sold and distributed; and (ii) increase in average selling price of hotel rooms of L’Arc Hotel Macau.

The slight increase of approximately HK\$0.5 million in revenue generated from the sales and distribution of hotel rooms of Waldo Hotel Macao, which represents an increase of approximately 2.2% from approximately HK\$24.6 million for FY2017 to approximately HK\$25.1 million for FY2018, was mainly due to the increase in selling price of hotel rooms of Waldo Hotel Macao.

The increase in our revenue generated from the sales and distribution of hotel rooms of approximately HK\$6.3 million from approximately HK\$51.1 million for 4M2018 to approximately HK\$57.4 million for 4M2019, representing an increase of approximately 12.3%. Such increases were mainly due to the increase in revenue generated from the sales and distribution of hotel rooms of Pousada Marina Infante Macau, Regency Art Hotel and Macau Roosevelt Hotel, in aggregate increased by approximately HK\$6.3 million, mainly due to the increase in the number of hotel rooms sold and distributed of these hotels. Our revenue generated from the sales and distribution of hotel rooms of L’Arc Hotel Macau for 4M2018 and 4M2019 remained relatively stable at approximately HK\$31.5 million and HK\$31.4 million, respectively, mainly due to the renovation of L’Arc Hotel Macau during 4M2019. For details, please refer to the paragraph headed “Recent development and material adverse change” in this section below.

(ii) Analysis by customers type

Our customers primarily comprised travel agents, corporate customers and individuals. The following table sets out a breakdown of our revenue of the sales and distribution of hotel rooms by customer types for the years or periods indicated:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Travel agents:								
— Selected Partners	45,522	40.8	63,037	40.5	18,956	37.1	31,512	54.9
— Other travel agents	121	0.1	3,569	2.3	1,892	3.7	625	1.1
— Online travel agents platforms	2	0.0	3,695	2.4	1,232	2.4	699	1.2
	<u>45,645</u>	<u>40.9</u>	<u>70,301</u>	<u>45.2</u>	<u>22,080</u>	<u>43.2</u>	<u>32,836</u>	<u>57.2</u>
Other corporate:								
— Selected Partners	—	0.0	9,384	6.0	—	—	5,254	9.1
— Others	727	0.7	1,415	0.9	896	1.8	293	0.5
Direct customers	<u>65,079</u>	<u>58.4</u>	<u>74,570</u>	<u>47.9</u>	<u>28,138</u>	<u>55.0</u>	<u>19,044</u>	<u>33.2</u>
Total revenue generated from the sales and distribution of hotel rooms	<u>111,451</u>	<u>100.0</u>	<u>155,670</u>	<u>100.0</u>	<u>51,114</u>	<u>100.0</u>	<u>57,427</u>	<u>100.0</u>

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Our total revenue of the sales and distribution of hotel rooms from travel agents increased by approximately HK\$24.7 million, or 54.2%, from approximately HK\$45.6 million for FY2017 to approximately HK\$70.3 million for FY2018. Our total revenue of the sales and distribution of hotel rooms from direct customers increased by approximately HK\$9.5 million, or 15.0%, from approximately HK\$65.1 million for FY2017 to approximately HK\$74.6 million for FY2018. The net increase was in line with our revenue growth from the sales and distribution of hotel rooms.

Our total revenue of the sales and distribution of hotel rooms from travel agents increased by approximately HK\$10.7 million, or 48.4%, from approximately HK\$22.1 million for 4M2018 to approximately HK\$32.8 million for 4M2019. Our total revenue of the sales and distribution of hotel rooms from direct customers decreased by approximately HK\$9.1 million, or 32.4%, from approximately HK\$28.1 million for 4M2018 to approximately HK\$19.0 million for 4M2019. The net increase was in line with our revenue growth from the sales and distribution of hotel rooms.

Sales and provision of air tickets and other ancillary travel-related products and services

Our revenue generated from the sales and provision of air tickets and other ancillary travel-related products and services mainly represented the margin income from the sales of entertainment tickets, buffet tickets, transportation tickets, travel insurance and visa applications.

Our margin income generated from the sales and provision of air tickets and other ancillary travel-related products and services remained relatively stable at approximately HK\$1.2 million and HK\$1.4 million for FY2017 and FY2018, respectively, and approximately HK\$0.5 million and HK\$0.4 million for 4M2018 and 4M2019, respectively.

Provision of car rental services

Our revenue generated from the provision of car rental services includes the revenue generated from the provision of limousine services and vehicle leasing in Macau.

The following table sets forth the revenue generated from the provision of car rental services for the years or periods indicated:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Provision of limousine services	3,938	5,005	1,099	2,983
Provision of vehicle leasing	1,042	3,580	516	1,298
Total revenue generated from the provision of car rental services	4,980	8,585	1,615	4,281

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Our revenue generated from the provision of car rental services mainly represented (i) revenue generated from provision of limousine services with our chauffeur in Macau customers; and (ii) revenue generated from provision of vehicle leasing, in which our Group leased our vehicles to customers for their use. Our revenue generated from the provision of car rental services increased by approximately HK\$3.6 million, or 72.4%, from approximately HK\$5.0 million for FY2017 to approximately HK\$8.6 million for FY2018 and increased by approximately HK\$2.7 million, or 165.1%, from approximately HK\$1.6 million for 4M2018 to approximately HK\$4.3 million for 4M2019. Such increases were primarily attributable to (i) the commencement of Multi-purpose Car Rental Services in May 2018 under the authorisation granted to us by the MGTO; and (ii) increase in our number of vehicles from FY2017 to FY2018 and from 4M2018 to 4M2019, respectively.

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

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

Prior to May 2018, our Group only provided tourism-purpose car rental services under the travel agent licence. After obtaining the authorisation granted by the MGTO in November 2017, our Group commenced to provide Multi-purpose Car Rental Services in May 2018. According to the Ipsos Report, as at 30 June 2019, four companies were permitted to provide Multi-purpose Car Rental Services as compared to 227 companies permitted to provide tourism-purpose car rental services in Macau.

As at 31 December 2017, 2018 and 30 April 2019, our Group had three, nine and nine coaches, respectively, of which mostly were under long-term leases to corporate customers for providing tourism-purpose car rental services, and had a lower rental fee as compared to the retail customers based on an hourly rate under our Multi-purpose Car Rental Services.

As such, our Directors are of the view that our Group would be able to achieve a higher growth through the provision of Multi-purpose Car Rental Services. As a result, since the commencement of Multi-purpose Car Rental Services, our Group focused our resources and shifted more business, in particular retail business for tourism purpose, to Multi-purpose Car Rental Services, pursuant to which there is no specific restriction on the usage of the vehicles, so that our Group has more flexibility to provide the car rental services to our customers. Thus, our revenue generated from the provision of tourism-purpose car rental services gradually decreased throughout the Track Record Period.

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Cost of sales

Our cost of sales comprised (i) cost of hotel rooms; (ii) distribution service fees; and (iii) cost of car rental services. The following table sets forth a breakdown of our costs of sales for the years or periods indicated:

	FY2017		FY2018		4M2018		4M2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Cost of hotel rooms	82,235	90.5	120,590	92.1	37,978	92.3	44,884	92.3
Distribution service fees	5,095	5.6	4,805	3.7	2,160	5.3	1,042	2.2
Cost of car rental services	3,622	4.0	5,685	4.3	1,029	2.5	2,709	5.6
	90,952	100.1	131,080	100.1	41,167	100.1	48,635	100.1
Discount received	(104)	(0.1)	(106)	(0.1)	(38)	(0.1)	(27)	(0.1)
Total cost of sales	<u>90,848</u>	<u>100.0</u>	<u>130,974</u>	<u>100.0</u>	<u>41,129</u>	<u>100.0</u>	<u>48,608</u>	<u>100.0</u>

Our cost of sales amounted to approximately HK\$90.8 million, HK\$131.0 million, HK\$41.1 million and HK\$48.6 million for FY2017, FY2018, 4M2018 and 4M2019, respectively, representing approximately 77.2%, 79.1%, 77.2% and 78.2% of our revenue for the respective years/periods. Our revenue increased by approximately HK\$48.1 million from approximately HK\$117.6 million for FY2017 to approximately HK\$165.7 million for FY2018 and approximately HK\$8.9 million from approximately HK\$53.3 million for 4M2018 to approximately HK\$62.2 million for 4M2019, representing an increase of approximately 40.8% and 16.7%, respectively, of which the sales and distribution of hotel rooms was the main driver which accounted for an increase of approximately HK\$44.2 million from FY2017 to FY2018 and an increase of approximately HK\$6.3 million from 4M2018 to 4M2019.

Our cost of hotel rooms represented the hotel rooms rate payable by our Group to hotel operators for those hotel rooms that we secured. Such cost increased by approximately HK\$38.4 million, or 46.6%, from approximately HK\$82.2 million for FY2017 to approximately HK\$120.6 million for FY2018 and increased by approximately HK\$6.9 million, or 18.2%, from approximately HK\$38.0 million for 4M2018 to approximately HK\$44.9 million for 4M2019. The increases were mainly due to (i) the increase in number of hotel rooms we sold and distributed; and (ii) the increase in average rates of the hotel rooms we were charged by hotel operators for the hotel rooms we sold and distributed during FY2018 as compared to FY2017.

Our distribution service fees represented the distribution fees paid to the Selected Partners in respect of the profit shared, net of loss shared, by the Selected Partners for the sales and distribution of hotel rooms of L'Arc Hotel Macau through the Selected Partners under the Distribution Agreements. For details, please refer to the paragraph headed "Business — Sales and marketing — Sales and distribution channels — Profit and loss sharing arrangement — Loss sharing by the Selected Partners under the Distribution Agreements" in this prospectus. Such cost decreased slightly from approximately HK\$5.1 million for FY2017 to approximately HK\$4.8 million for FY2018 mainly

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attributable to the decrease in number of hotel rooms of L'Arc Hotel Macau sold and distributed through Customer A, being offset by an increase in the average hotel room rates sold and distributed through Customer A under the Distribution Agreements. The decrease in the number of hotel rooms of L'Arc Hotel Macau sold and distributed through Customer A was mainly due to, from time to time, our strategic reallocation of hotel rooms sold and distributed to and through other Selected Partners and customers according to the changing market environment in order to diversify our customer base and to maximise our profitability. Our distribution service fees further decreased from approximately HK\$2.2 million for 4M2018 to approximately HK\$1.0 million for 4M2019 mainly attributable to the decrease in revenue generated from the sales and distribution of hotel rooms under the Distribution Agreements.

Our cost of car rental services mainly represented cost of chauffeurs, employees benefits to drivers and vehicle depreciation. Our cost of car rental services increased by approximately HK\$2.1 million, or 57.0%, from approximately HK\$3.6 million for FY2017 to HK\$5.7 million for FY2018 and increased by approximately HK\$1.8 million, or 163.3%, from approximately HK\$0.9 million for 4M2018 to HK\$2.7 million for 4M2019. The increase was generally in line with our revenue growth from the provision of car rental services during the respective year/period.

Gross profit and gross profit margin

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

	FY2017			FY2018			4M2018			4M2019		
	Revenue	Gross Profit	Gross profit margin	Revenue	Gross Profit	Gross profit margin	Revenue	Gross Profit	Gross profit margin	Revenue	Gross Profit	Gross profit margin
	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	%
							<i>(unaudited)</i>			<i>(unaudited)</i>		
Travel agents												
- Selected												
Partners	45,576	9,301	20.4	63,736	11,016	17.3	18,968	2,601	13.7	31,582	5,676	18.0
- Other travel agents	3,124	991	31.7	5,983	2,320	38.8	2,816	1,220	43.3	1,518	739	48.7
- Online travel agents platforms	35	22	62.9	3,905	1,133	29.0	1,281	418	32.6	867	200	23.1
Other corporate												
- Selected												
Partners	—	—	0.0	9,899	1,947	19.7	—	—	0.0	6,465	2,000	30.9
- Others	3,172	2,180	68.7	6,813	3,235	47.5	1,910	1,330	69.6	2,575	1,400	54.4
Direct customers	65,721	14,182	21.6	75,326	14,931	19.8	28,290	6,529	23.1	19,150	3,507	18.3
Total	117,628	26,676	22.7	165,662	34,582	20.8	53,265	12,098	22.7	62,157	13,522	21.8

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

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

Note: The decrease in gross profit margin of third-party online travel agent platforms and direct sales to corporate customers was mainly because a majority of the revenue generated from online travel agent platforms and direct sales to corporate customers for FY2017 was attributable to travel-related products which was recognised on net basis and 100% gross profit margin was recognised. During FY2018, there was a substantial increase in sales of hotel accommodations through online platform and substantial increase in sales of hotel accommodations and limousine services through direct sales to corporate customers under which the revenue was recognised on gross basis.

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The following table sets forth our gross profit and gross profit margin by business unit for the years or periods indicated:

	FY2017		FY2018		4M2018		4M2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	<i>(unaudited)(unaudited)</i>							
Sales and distribution of hotel rooms	24,121	21.6	30,275	19.4	10,976	21.5	11,501	20.0
Provision of car rental services	1,358	27.3	2,900	33.8	586	36.3	1,572	36.7
Sales and provision of air tickets and other ancillary travel-related products and services	1,197	100.0	1,407	100.0	536	100.0	449	100.0
	26,676	22.7	34,582	20.8	12,098	22.7	13,522	21.8
Discount received	104	0.1	106	0.1	38	0.1	27	0.0
Total	26,780	22.8	34,688	20.9	12,136	22.8	13,549	21.8

Our overall gross profit amounted to approximately HK\$26.8 million and HK\$34.7 million for FY2017 and FY2018, respectively. Our overall gross profit increased for FY2018 as compared to FY2017, which was mainly attributable to the increase in gross profit of the sales and distribution of hotel rooms. Our overall gross profit amounted to approximately HK\$12.1 million and HK\$13.5 million for 4M2018 and 4M2019, respectively. Our overall gross profit increased for 4M2019 as compared to 4M2018, which was mainly attributable to the increases in gross profit of the provision of car rental services and sales and distribution of hotel rooms, offset by a decrease in gross profit of the sales and provision of air tickets and other ancillary travel-related products and services.

Our overall gross profit margin decreased from approximately 22.8% for FY2017 to approximately 20.9% for FY2018. Such decrease was mainly due to the decrease in gross profit margin for the sales and distribution of hotel rooms from FY2017 to FY2018, offset by the increase in gross profit margin from the provision of car rental services. Our overall gross profit margin decreased from approximately 22.8% for 4M2018 to approximately 21.8% for 4M2019. Such decrease was mainly due to the decrease in gross profit margin for the sales and distribution of hotel rooms from 4M2018 to 4M2019, offset by the increase in gross profit margin for provision of car rental services.

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Our gross profit attributable to the sales and distribution of hotel rooms increased by approximately HK\$6.2 million, or 25.5%, from approximately HK\$24.1 million for FY2017 to approximately HK\$30.3 million for FY2018. The increase was mainly attributable to the increase in transaction volume. Our gross profit margin for the sales and distribution of hotel rooms decreased from approximately 21.6% for FY2017 to approximately 19.4% for FY2018. Such decrease was mainly due to the increase in average cost of hotel rooms of L'Arc Hotel Macau during FY2018. Our gross profit attributable to the sales and distribution of hotel rooms increased by approximately HK\$0.5 million, or 4.8%, from approximately HK\$11.0 million for 4M2018 to approximately HK\$11.5 million for 4M2019. The increase was mainly attributable to the increase in transaction volume. Our gross profit margin for the sales and distribution of hotel rooms business decreased from approximately 21.5% for 4M2018 to approximately 20.0% for 4M2019. Such decrease was mainly due to the increase in average cost of hotel rooms of L'Arc Hotel Macau during 4M2019. For illustrative purpose only, the gross profit margin for the sales and distribution of hotel rooms based on gross proceeds was approximately 19.2%, 18.2%, 20.0% and 19.1% for FY2017, FY2018, 4M2018 and 4M2019, respectively.

Our gross profit attributable to the provision of car rental services increased by approximately HK\$1.5 million, or 113.5%, from approximately HK\$1.4 million for FY2017 to approximately HK\$2.9 million for FY2018. The increase was mainly attributable to the increase in number of our vehicles. Our gross profit margin for the provision of car rental services increased from approximately 27.3% for FY2017 to approximately 33.8% for FY2018, which was mainly due to the acquisition of our vehicles during FY2018 so that certain fixed costs incurred have been compensated. Our gross profit attributable to the provision of car rental services increased by approximately HK\$1.0 million, or 168.3%, from approximately HK\$0.6 million for 4M2018 to approximately HK\$1.6 million for 4M2019. The increase was mainly attributable to the increase in number of our vehicles. Our gross profit margin for the provision of car rental services remained relatively stable at approximately 36.3% for 4M2018 and approximately 36.7% for 4M2019.

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Other gain and income

Our other gain and income represented government grants, interest income and sundry income, which decreased from approximately HK\$0.2 million for FY2017 to approximately HK\$18,000 for FY2018. The decrease was mainly attributable to the receipt of government grants of approximately HK\$0.1 million during FY2017 while no such grants were received during FY2018. Our other gain and income increased from nil for 4M2018 to approximately HK\$0.4 million for 4M2019. Such increase was mainly attributable to the reversal of impairment losses on trade receivables, amounts due from related companies and amount due from a director. The following table sets forth the breakdown of our other income for the years or periods indicated:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Government grants	142	—	—	—
Interest income	3	9	—	—
Reversal of impairment loss on trade receivables, net of impairment	—	—	—	367
Reversal of impairment loss on amounts due from related companies, net of impairment	—	—	—	4
Reversal of impairment loss on amount due from a director, net of impairment	—	—	—	2
Sundry income	45	9	—	10
Total other gain and income	190	18	—	383

For FY2017, in relation to the economic losses caused by Typhoon Hato to the small and medium enterprises operating in Macau, our Group received (i) a government subsidy of approximately HK\$41,000, which was intended to provide immediate financial support to travel agents; and (ii) an interest-free loan with the proceeds of approximately HK\$0.6 million, of which the amount of approximately HK\$0.1 million was recognised as other income, representing the difference between the proceeds of loan and the fair value of the loan of approximately HK\$0.5 million. For details, please refer to note 31 to the Accountants' Report.

The reversal of impairment loss on trade receivables recognised during 4M2019 represented the difference between the loss allowance on trade receivables as at 31 December 2018 and 30 April 2019.

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Administrative expenses

Our administrative expenses amounted to approximately HK\$6.1 million, HK\$10.0 million, HK\$3.0 million and HK\$4.9 million for FY2017, FY2018, 4M2018 and 4M2019, respectively. The following table set forth the breakdown of our administrative expenses of the years or periods indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2018</u>	<u>4M2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Employee benefits expenses	3,138	4,624	1,482	2,956
Depreciation expenses	1,093	1,514	417	876
Rental and related expenses	785	1,496	445	51
Office expenses	291	435	376	193
Motor vehicle expenses	152	226	124	79
Professional fees	179	537	31	122
Advertising and promotion expenses	18	333	32	100
Others <i>(Note)</i>	<u>411</u>	<u>840</u>	<u>121</u>	<u>511</u>
Total administrative expenses	<u><u>6,067</u></u>	<u><u>10,005</u></u>	<u><u>3,028</u></u>	<u><u>4,888</u></u>

Note: Others mainly included entertainment expenses, local travel expenses and insurance.

Our depreciation expenses mainly included the depreciation of our right-of-use assets (in respect of 4M2019 only, following the adoption of HKFRS 16 on 1 January 2019), leasehold improvements, furniture, fixtures and equipment and the motor vehicles. For details of the depreciation policy of the property, plant and equipment and the right-of-use assets, please refer to note 4 to the Accountants' Report.

Our employee benefits expenses included salaries, wages and welfare expenses of our staff and directors.

During the Track Record Period, rental and related expenses mainly represented the rental of our offices in Macau and Zhuhai, the PRC, service points and carpark spaces. For details, please refer to the paragraph headed "Business — Properties — Leased properties" in this prospectus.

Motor vehicles expenses mainly comprised tunnel fee, diesel fuel charge and repair and maintenance expenses of our motor vehicles for internal use.

Professional fees mainly comprised accounting, auditor's and other professional fees.

Office expenses mainly comprised computer expenses, office supplies and telecommunication expenses. Advertising and promotion expenses mainly comprised of production of promotion video clips and vouchers to travellers.

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Our administrative expenses increased by approximately HK\$3.9 million, or approximately 64.9%, from approximately HK\$6.1 million for FY2017 to approximately HK\$10.0 million for FY2018. The increase was mainly attributable to (i) the increase in depreciation expenses arising from our existing motor vehicles; (ii) the increase in employee benefits expenses as a result of increase in headcount; and (iii) the increase in rental and related expenses due to the new leases of carparking space to accommodate the increased number of our vehicles.

Our administrative expenses increased by approximately HK\$1.9 million, or approximately 61.4%, from approximately HK\$3.0 million for 4M2018 to approximately HK\$4.9 million for 4M2019. Such increase was mainly attributable to (i) the increase in employee benefits expenses as a result of increase in headcount; and (ii) the increase in depreciation expenses arising from our right-of-use assets following the adoption of HKFRS 16, offset by the decrease in rental and related expenses due to the recognition of leases. Our employee benefits expenses increased by approximately HK\$1.5 million, or approximately 99.5%, from approximately HK\$1.5 million for 4M2018 to approximately HK\$3.0 million for 4M2019. The increase was mainly attributable to the employment of four new management who joined our Group who were responsible for human resources, business development and finance in second half of FY2018 and early 2019 and eight new finance and administrative staff who joined our Group since May 2018 in preparation of the Listing.

Income tax expenses

Our net income tax expense mainly consists of Macau Complementary Tax and PRC Enterprise Income Tax expenses. The following table sets forth the components of our income tax expenses for the years or periods indicated:

	FY2017	FY2018	4M2018	4M2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Macau Complementary Tax	2,520	2,430	1,194	558
PRC Enterprise Income Tax	145	163	—	—
	2,665	2,593	1,194	558
Deferred tax (credit)/charge	—	(6)	—	45
Total income tax expenses	2,665	2,587	1,194	603

Our income tax expenses amounted to approximately HK\$2.7 million and HK\$2.6 million for FY2017 and FY2018, respectively, and our effective tax rate was approximately 12.8% and 13.7%, respectively, which approximated to the Macau Complementary Tax rate of 12.0%. The decrease in our income tax expenses from FY2017 to FY2018 was in line with the decreased in our profit before tax. For 4M2018 and 4M2019, our income tax expenses amounted to approximately HK\$1.2 million and HK\$0.6 million, respectively, and our effective tax rate was approximately 13.1% and 17.3% for the corresponding periods. The increase in effective tax rate for 4M2019 was mainly due to the increase in losses attributable from loss-making subsidiaries of our Group, as reflected by the increase

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in the estimated tax losses not recognised as disclosed in note 18 to the Accountants' Report. The decrease in the income tax expenses was generally in line with the decrease in our profit before tax from 4M2018 to 4M2019 due to the Listing expenses of approximately HK\$5.5 million incurred during 4M2019.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issue with the relevant tax authorities.

LIQUIDITY AND CAPITAL RESOURCES

Our principal liquidity and working capital requirements primarily relate to our operating costs and payments to suppliers. Going forward, we expect to fund our working capital and other liquidity requirements with a combination of various sources, including but not limited to cash generated from our operations, banking facilities and net proceeds from the Share Offer.

Cash flows

The following table sets forth our cash flows for the years or periods indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2018</u>	<u>4M2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash (used in)/generated from operating activities	(1,028)	23,015	11,759	2,133
Net cash used in investing activities	(1,878)	(18,911)	(8,043)	(2,232)
Net cash generated from financing activities	<u>583</u>	<u>844</u>	<u>—</u>	<u>3,789</u>
Net (decrease)/increase in cash and cash equivalents	(2,323)	4,948	3,716	3,690
Cash and cash equivalents at the beginning of the year/period	8,035	5,898	5,898	10,553
Effect of foreign exchange rate changes	<u>186</u>	<u>(293)</u>	<u>39</u>	<u>48</u>
Cash and cash equivalents at the end of the year/period	<u><u>5,898</u></u>	<u><u>10,553</u></u>	<u><u>9,653</u></u>	<u><u>14,291</u></u>

Net cash (used in)/generated from operating activities

Net cash used in operating activities for FY2017 was approximately HK\$1.0 million. Operating cash flows before movements in working capital were approximately HK\$22.4 million, consisting of profit before tax in amount of approximately HK\$20.9 million adjusted by depreciation of property, plant and equipment of approximately HK\$1.6 million and government grant of approximately HK\$0.1 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$22.0 million, consisting primarily of an increase in trade receivables, deposits and prepayments in the amount of approximately HK\$11.9 million mainly due to the revenue growth in

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sales and distribution of hotel rooms during FY2017, an increase in amounts due from related companies of approximately HK\$2.2 million, an increase in amount due from a director of approximately HK\$8.0 million, increase in trade and other payables of approximately HK\$2.2 million and decrease in amount due to a director of approximately HK\$2.2 million. For the associated risk, please refer to the paragraph headed “Risk factors — We recorded net cash used in operating activities for FY2017. We cannot assure you that we will not experience any net cash used in operating activities again in the future” in this prospectus.

Net cash generated from operating activities for FY2018 was approximately HK\$23.0 million. Operating cash flows before movements in working capital were approximately HK\$22.7 million, primarily reflecting profit before tax in amount of approximately HK\$18.9 million, mainly adjusted by depreciation of property, plant and equipment of approximately HK\$3.7 million. Changes in working capital contributed a cash inflow in the amount of approximately HK\$2.6 million, primarily of an increase in trade receivables, deposits and prepayments in the amount of approximately HK\$2.5 million, an increase in amounts due from related companies of approximately HK\$3.5 million, a decrease in amount due from a director of approximately HK\$2.9 million, increase in trade and other payables of approximately HK\$2.7 million, increase in amount due to a related company of HK\$2.8 million, and increase in amount due to a director of approximately HK\$0.1 million.

Net cash generated from operating activities for 4M2019 was approximately HK\$2.1 million. Operating cash flows before movements in working capital were approximately HK\$5.3 million, primarily reflecting profit before tax in amount of approximately HK\$3.5 million, mainly adjusted by depreciation of property, plant and equipment of approximately HK\$1.4 million and depreciation of right-of-use assets of approximately HK\$0.7 million. Changes in working capital contributed a cash outflow in the amount of approximately HK\$3.0 million, consisting primarily of an increase in trade receivables, deposits and prepayments in the amount of approximately HK\$8.1 million mainly due to the revenue growth in sales and distribution of hotel rooms during 4M2019 and an increase in trade and other payables of approximately HK\$5.1 million.

Our Group recorded net cash used in and generated from operating activities of approximately HK\$1.0 million and HK\$23.0 million for FY2017 and FY2018, respectively. The increase was principally attributable to the smaller amount of increase in trade and other receivables, increase in amount due to a related company and decrease in amount due to a director during FY2018.

Our Group recorded net cash generated from operating activities of approximately HK\$11.8 million and HK\$2.1 million for 4M2018 and 4M2019, respectively. The lower amount of our net cash generated from operating activities for 4M2019 as compared to 4M2018 was primarily attributable to the lower profit before income tax for 4M2019 as compared to 4M2018 due to the Listing expenses of approximately HK\$5.5 million incurred during 4M2019 and the greater amount of increase in trade and other receivables during 4M2019.

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Net cash used in investing activities

Net cash used in investing activities for FY2017 was approximately HK\$1.9 million, primarily reflecting purchase of property, plant and equipment of approximately HK\$4.6 million and placement of bank deposits with original maturity over three months of approximately HK\$0.3 million, offset by the deposits received for disposal of property, plant and equipment of approximately HK\$3.0 million.

Net cash used in investing activities for FY2018 was approximately HK\$18.9 million, primarily reflecting purchase of property, plant and equipment of approximately HK\$18.2 million and placement of bank deposits with original maturity over three months of approximately HK\$2.3 million, offset by the proceed from disposal of property, plant and equipment of approximately HK\$1.5 million.

Net cash used in investing activities for 4M2019 was approximately HK\$2.2 million, primarily reflecting placement of bank deposits with original maturity over three months of approximately HK\$2.6 million and purchase of property, plant and equipment of approximately HK\$0.6 million, offset by the proceed from disposal of property, plant and equipment of approximately HK\$1.0 million.

Net cash generated from financing activities

Net cash generated from financing activities for FY2017 was approximately HK\$0.6 million, representing the proceed of the government loan in relation to the economic losses caused by Typhoon Hato to the small and medium enterprises operating in Macau.

Net cash generated from financing activities for FY2018 was approximately HK\$0.8 million, primarily reflecting repayment of the said unsecured loan of approximately HK\$0.6 million, offset by capital injection into subsidiaries of approximately HK\$1.4 million by Mr. Choi.

Net cash generated from financing activities for 4M2019 was approximately HK\$3.8 million, primarily reflecting the proceed of the secured bank borrowing of HK\$4.5 million, offset by the payment for lease liabilities of approximately HK\$0.5 million, the repayment of aforesaid bank borrowing of approximately HK\$0.1 million and the interest paid of approximately HK\$49,000 million.

Working capital

Our Directors assess the working capital level of our Group based on, among others, the amount of cash and cash equivalents, banking facilities available to us and, if the Listing is successful, the estimated net proceeds from the Share Offer:

- our cash and cash equivalents on hand amounted to approximately HK\$5.9 million, HK\$10.6 million and HK\$14.3 million as at 31 December 2017 and 2018 and 30 April 2019, respectively;
- the unutilised banking facilities amount of approximately HK\$3.6 million as at 31 July 2019, being the indebtedness date; and

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- the estimated net proceeds from the Share Offer of approximately HK\$37.0 million (based on the mid-point of the indicative Offer Price range of HK\$0.22 per Offer Share and 300,000,000 Offer Shares) to be received by our Company.

Our Directors are of the opinion that, after taking into account our cash and cash equivalents on hand, the available banking facilities and the estimated net proceeds from the Share Offer, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this prospectus.

NET CURRENT ASSETS

The following table sets forth selected information from our current assets and current liabilities as at the dates indicated:

	As at		As at	As at
	31 December	2018	30 April	31 July
	2017	2018	2019	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(unaudited)</i>			
Current assets				
Trade receivables, deposits and prepayments	19,482	21,351	29,661	27,760
Amounts due from related companies	7,572	10,816	—	—
Amount due from a related party	15	—	—	—
Amount due from a director	6,254	2,849	1,945	1,884
Bank deposits with original maturity over three months	253	2,511	5,154	6,129
Cash and cash equivalents	5,898	10,553	14,291	14,835
	<u>39,474</u>	<u>48,080</u>	<u>51,051</u>	<u>50,608</u>
Current liabilities				
Trade and other payables	13,891	14,589	19,632	14,342
Lease liabilities	—	—	1,454	2,486
Amount due to a related company	—	2,844	—	—
Amount due to a director	—	147	147	147
Tax payables	2,700	2,968	3,372	4,074
Borrowings	484	—	1,440	1,457
	<u>17,075</u>	<u>20,548</u>	<u>26,045</u>	<u>22,506</u>
Net current assets	<u><u>22,399</u></u>	<u><u>27,532</u></u>	<u><u>25,006</u></u>	<u><u>28,102</u></u>

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We had net current assets of approximately HK\$22.4 million as at 31 December 2017 and increased by approximately HK\$5.1 million to approximately HK\$27.5 million as at 31 December 2018. Such increase was primarily due to (i) increase in trade receivables, deposits and prepayments of approximately HK\$1.9 million; (ii) increase in amounts due from related companies of approximately HK\$3.2 million; (iii) increase in bank deposits with original maturity over three months of approximately HK\$2.3 million; and (iv) increase in cash and cash equivalents of approximately HK\$4.7 million, offset by the decrease in amount due from a director of approximately HK\$3.4 million.

Our net current assets slightly decreased from approximately HK\$27.5 million as at 31 December 2018 to approximately HK\$25.0 million as at 30 April 2019, which was primarily the result of (i) decrease in amounts due from related companies of approximately HK\$10.8 million; (ii) increase in trade and other payables of approximately HK\$5.0 million; (iii) increase in lease liabilities of approximately HK\$1.5 million; and (iv) increase in borrowings of approximately HK\$1.4 million, offset by (i) increase in trade receivables, deposits and prepayments of approximately HK\$8.3 million; (ii) increase in cash and cash equivalents of approximately HK\$3.7 million; and (iii) increase in bank deposits with original maturity over three months of approximately HK\$2.6 million

Our net current assets increased from approximately HK\$25.0 million as at 30 April 2019 to approximately HK\$28.1 million as at 31 July 2019 based on our unaudited consolidated management accounts. Such increase was mainly attributable to (i) the decrease in trade and other payables of approximately HK\$5.3 million; and (ii) increase in bank deposits with original maturity over three months of approximately HK\$1.0 million; offset by (i) decrease in trade receivables, deposits and prepayments of approximately HK\$1.9 million; and (ii) increase in lease liabilities of approximately HK\$1.0 million.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, plant and equipment

Our property, plant and equipment comprised leasehold improvements, furniture, fixtures and equipment and motor vehicles. The carrying amounts of our property, plant and equipment amounted to approximately HK\$6.7 million, HK\$17.6 million and HK\$15.7 million as at 31 December 2017 and 2018 and 30 April 2019, respectively. The increase in the carrying amount of our property, plant and equipment as at 31 December 2018 as compared with that as at 31 December 2017 was primarily due to the acquisition of the vehicles for our car rental services business of approximately HK\$5.0 million and HK\$17.5 million during FY2017 and FY2018, respectively, offsetting the disposal of motor vehicles of approximately HK\$5.1 million during FY2018 and the depreciation charged on motor vehicles of approximately HK\$1.4 million and HK\$3.2 million for FY2017 and FY2018, respectively. The decrease in the carrying amount of property, plant and equipment as at 30 April 2019 as compared with that 31 December 2018 was primarily due to the disposal of motor vehicles.

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Trade receivables, deposits and prepayments

Our trade receivables, deposits and prepayments increased slightly by approximately HK\$2.0 million from approximately HK\$20.1 million as at 31 December 2017 to approximately HK\$22.1 million as at 31 December 2018, representing an increase of approximately 10.0%, which was mainly due to the increase in deposits paid and prepayments. Our trade receivables, deposits and prepayments further increased by approximately HK\$8.4 million from approximately HK\$22.1 million as at 31 December 2018 to approximately HK\$30.5 million as at 30 April 2019, representing an increase of approximately 37.5%, which was mainly due to increase in net trade receivables.

The following tables set forth the breakdown of our trade receivables, deposits and prepayments as at the dates indicated:

	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables, net	17,788	17,390	24,251
Deposits paid	1,463	2,200	2,163
Prepayments	878	2,557	4,043
 Total trade receivables, deposits and prepayments	 20,129	 22,147	 30,457

Our trade receivables mainly represent the receivables from our customers for our travel business and car rental services business. Our trade receivables remained relatively stable at approximately HK\$17.8 million and HK\$17.4 million as at 31 December 2017 and 2018, respectively. Our trade receivables increased by approximately HK\$6.9 million, or 39.5%, from approximately HK\$17.4 million as at 31 December 2018 to approximately HK\$24.3 million as at 30 April 2019, which was mainly attributable to (i) the increase of receivables from 廣東和平國際旅行社有限公司 (Guangdong Peace International Tourism Co., Ltd.*) of approximately HK\$7.0 million due to the increase in transaction volume with it. We normally granted credit terms of approximately 30 days to our major customers. We provided allowance of impairment of approximately HK\$0.5 million and HK\$94,000 on our trade receivables as at 31 December 2018 and 30 April 2019, respectively, based on the assessment of recoverability.

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The following table set forth our trade receivables turnover days for the years or period indicated:

	FY2017	FY2018	4M2019
Trade receivable turnover days <i>(Note)</i>	38.3	38.8	40.2

Note: Trade receivable turnover days are calculated as the average of the opening and closing trade receivables divided by revenue for the relevant financial year/period and multiplied by the number of days for the same financial year/period, (i.e. being 365 days for FY2017 and FY2018 and 120 days for 4M2019).

Our trade receivable turnover days for FY2017 and FY2018 were remained relatively stable at approximately 38.3 days and 38.8 days respectively, which was in line with our credit terms granted to our customers. Our trade receivable turnover days increased from approximately 38.8 days for FY2018 to approximately 40.2 days for 4M2019, mainly due to the higher trade receivables as at 30 April 2019.

The following is an aging analysis of our trade receivables netting off the allowance, presented based on invoice dates, at the end of each indicated years or period:

	As at 31 December		As at 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	13,106	13,691	15,905
31-60 days	4,445	3,345	4,803
61-90 days	153	—	3,523
Over 90 days	84	354	20
Total trade receivables, net	17,788	17,390	24,251

The aging analysis of these trade receivables netting off the allowance for impairment, based on due dates is as follows:

	As at 31 December		As at 30 April
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	13,106	13,381	20,587
1-30 days past due	4,445	310	3,307
31-60 days past due	153	3,345	344
61-90 days past due	6	—	13
Over 90 days past due	78	354	—
Total trade receivables, net	17,788	17,390	24,251

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As at 31 December 2017 and 2018 and 30 April 2019, trade receivables of approximately HK\$13.1 million, HK\$13.4 million and HK\$20.6 million were neither past due nor impaired, which represented approximately 73.7%, 76.9% and 84.9% of our total trade receivables as at 31 December 2017 and 2018 and 30 April 2019, respectively. Out of the past due trade receivables as at 31 December 2017 and 2018 and 30 April 2019, approximately HK\$4.6 million, HK\$3.7 million and HK\$3.7 million were past due within 60 days, which represented approximately 98.2%, 91.2% and 99.6% of the total past due trade receivables as at 31 December 2017 and 2018 and 30 April 2019, respectively. Our Directors believe that such overdue amounts are considered recoverable as there has not been any significant adverse change in credit quality of the customers. As at the Latest Practicable Date, all of our trade receivables as at 30 April 2019 were settled.

Our deposits paid amounted to approximately HK\$1.5 million, HK\$2.2 million and HK\$2.2 million as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly included rental deposits, vehicle licence deposits and other deposits paid to our suppliers or vendors for our operations.

Our prepayments amounted to approximately HK\$0.9 million, HK\$2.6 million and HK\$4.0 million as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly included (i) prepayments to our hotel operators suppliers and airline; and (ii) for prepayments as at 30 April 2019, the prepaid Listing expenses of HK\$3.2 million.

Bank deposits with original maturity over three months

As at 31 December 2017 and 2018 and 30 April 2019, we had bank deposits with original maturity over three months of approximately HK\$0.3 million, HK\$2.5 million and HK\$5.2 million, respectively. The bank deposits with original maturity over three months carried interest at 0.6%, range from 1.1% to 1.5%, and range from 1.1% to 2.0% per annum as at 31 December 2017 and 2018 and 30 April 2019, respectively.

Such amounts were placed in a bank to secure general banking facilities in respect of guarantees issued to the suppliers of our Group as general trade deposits and to the government of Macau to obtain travel agent licence in Macau.

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Trade and other payables

Our trade and other payables primarily represented trade payables, accruals and other payables, deposits received and contract liabilities, which increased from approximately HK\$13.9 million as at 31 December 2017 to approximately HK\$14.6 million as at 31 December 2018, which was mainly attributable to the increase in trade payables of approximately HK\$0.9 million and the increase in accruals and other payables of approximately HK\$2.5 million, offset by the decrease in deposits received of approximately HK\$2.9 million. Our trade and other payables further increased from approximately HK\$14.6 million as at 31 December 2018 to approximately HK\$19.6 million as at 30 April 2019, which was mainly attributable to the increase in accruals and other payables of approximately HK\$4.9 million. The following table set forth the breakdown of our trade and other payables as at the dates indicated:

	<u>As at 31 December</u>	<u>As at 30 April</u>	
	<u>2017</u>	<u>2018</u>	<u>2019</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	10,143	11,053	11,430
Accruals and other payables	701	3,211	8,071
Deposits received	3,020	126	126
Contract liabilities	<u>27</u>	<u>199</u>	<u>5</u>
Total trade and other payables	<u><u>13,891</u></u>	<u><u>14,589</u></u>	<u><u>19,632</u></u>

Our trade payables mainly represented the payables to our suppliers and vendors, which mainly included hotel operators and other travel agents which we sourced hotel rooms or other travel products from. The amount of our trade payables increased slightly by approximately HK\$0.9 million, representing an increase of approximately 9.0%, from approximately HK\$10.1 million as at 31 December 2017 to approximately HK\$11.1 million as at 31 December 2018, which was in line with our increase in revenue and cost of sales during FY2018. Our trade payables remained stable at approximately HK\$11.1 million as at 31 December 2018 and approximately HK\$11.4 million as at 30 April 2019. The average credit period granted by major suppliers is 30 days.

The following table sets forth our trade payables turnover days for the years or period indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2019</u>
Trade payable turnover days ^(Note)	37.2	29.5	27.8

Note: Trade payable turnover days are calculated as the average of the opening and closing trade payables divided by cost of sales for the relevant financial year/period and multiplied by the number of days for the same financial year/period, (i.e. being 365 days for FY2017 and FY2018 and 120 days for 4M2019).

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The following table sets forth an aging analysis of our trade payables based on the invoice dates as of the dates indicated:

	As at 31 December	As at 30 April	
	2017	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	8,819	11,002	11,375
31-60 days	971	2	53
61-90 days	102	3	2
Over 90 days	<u>251</u>	<u>46</u>	<u>—</u>
 Total trade payables	 <u><u>10,143</u></u>	 <u><u>11,053</u></u>	 <u><u>11,430</u></u>

As at the Latest Practicable Date, all of our trade payables as at 30 April 2019 were settled. Our Directors confirm that our Group did not have any material default in payment of trade payables during the Track Record Period.

Our accruals and other payables amounted to approximately HK\$0.7 million, HK\$3.2 million and HK\$8.1 million as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly represented (i) salaries payables; (ii) motor vehicle expenses; (iii) audit and professional fees; and (iv) accrued Listing expenses. The increase in our accruals and other payables as at 31 December 2018 as compared with that as at 31 December 2017 was mainly due to (i) the accrued Listing expenses of approximately HK\$1.8 million as at 31 December 2018 which no such accrual was made as at 31 December 2017; and (ii) the increase in salaries payables of approximately HK\$0.5 million as at 31 December 2018 as a result of the increase in headcount. The increase of approximately HK\$4.9 million in our accruals and other payables as at 30 April 2019 as compared with that as at 31 December 2018 was mainly due to the increase in accrued Listing expenses of approximately HK\$4.8 million as at 30 April 2019.

Our deposits received amounted to approximately HK\$3.0 million as at 31 December 2017 which mainly represented the deposits received for the purchase of a motor vehicle of approximately HK\$3.0 million by Mrs. Choi. The decrease to approximately HK\$0.1 million as at 31 December 2018 was mainly because such advance payment which was settled for the disposal during FY2018. The amount of our deposit received remained stable at approximately HK\$0.1 million and HK\$0.1 million as at 31 December 2018 and 30 April 2019, respectively.

Our contract liabilities amounted to approximately HK\$27,000, HK\$0.2 million and HK\$5,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively, which mainly represented respective contract liabilities from the provision of vehicle leasing business.

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Amounts due from/(to) related parties

The following table set forth a summary of our amounts due from/(to) related parties as at the dates indicated:

	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amounts due from:			
Ying Hai Development Holdings Limited (formerly known as “Ying Hai Group Holdings Limited”)	217	3,405	—
Ying Hai Entertainment Group Limited 瀛海投資有限公司 (Ying Hai Investment Company Limited*)	6,076	7,411	—
Ying Hai Estates Company Limited 瀛海餐飲管理有限公司 (Ying Hai Catering Management Company Limited*)	567	—	—
Ying Hai Estates Company Limited 瀛海餐飲管理有限公司 (Ying Hai Catering Management Company Limited*)	594	—	—
Mrs. Choi	118	—	—
Mr. Choi	15	—	—
	6,254	2,849	1,945
	13,841	13,665	1,945
Amounts due to:			
瀛海投資有限公司 (Ying Hai Investment Company Limited*)	—	2,844	—
Mr. Leong	2	147	147
	2	2,991	147
	2	2,991	147

The amount due from/(to) related parties were non-trade nature, unsecured, interest-free and repayable on demand. The carrying value of these balances approximated their fair values at each reporting date and were denominated in MOP, HKD and RMB. There was no recent history of default.

The amount due from Mr. Choi and amount due to Mr. Leong as at 30 April 2019 will be settled by cash prior to the Listing.

Borrowings

Our borrowings as at 31 December 2017 primarily represented an unsecured interest-free loan received from the government of Macau SAR, which amounted to approximately HK\$0.5 million as at 31 December 2017 and we did not have outstanding borrowing as at 31 December 2018. Our borrowings as at 30 April 2019 primarily represented a secured interest-bearing bank borrowing, which amounted to approximately HK\$4.4 million as at 30 April 2019.

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The following table sets forth the carrying amount of our borrowings due for repayment as at the dates indicated based on the scheduled repayment dates set out in the loan agreements:

	As at 31 December		As at
	2017	2018	30 April
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured bank borrowing	—	—	4,383
Unsecured loan	484	—	—
Total borrowings	<u>484</u>	<u>—</u>	<u>4,383</u>
Carrying amounts repayable:			
<i>Current portion</i>			
Within one year	—	—	1,440
Carrying amount (shown under current liabilities) that contain repayable on demand clause based on scheduled repayment terms:			
— Within one year	—	—	—
— More than one year but less than five years	272	—	—
— More than five years	212	—	—
	<u>484</u>	<u>—</u>	<u>1,440</u>
<i>Non-current portion</i>			
More than one year but less than five years	—	—	2,943
Total borrowings	<u>484</u>	<u>—</u>	<u>4,383</u>

The carrying amount of the unsecured interest-free loan were denominated in MOP. The effective interest rate of the unsecured loan was approximately 2.2% for FY2017. Such unsecured interest-free loan was guaranteed by Mr. Choi and an employee of our Group and was fully repaid by our Group in October 2018 and we did not have any prevailing borrowing and banking facilities since then during FY2018.

In March 2019, we have obtained a banking facility with a commercial bank for an amount of HK\$4.5 million with repayment term of three years for working capital, including but not limited to the acquisition of vehicles and/or equipment. Such facility was denominated in HK\$ and fully drawn down on 27 March 2019. The bank borrowing is interest-bearing at the Macau Commercial bank prime lending rate minus 1% per annum. As at 30 April 2019, such bank borrowing was (i) guaranteed by our executive Director, Mr. Choi, and such guarantee will be released upon Listing; and (ii) secured

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by 28 vehicles of our Group with carrying amounts of approximately HK\$11.0 million as at 30 April 2019. The effective interest rate of such secured bank borrowing as at 30 April 2019 was approximately 4.3% and the outstanding amount of the bank borrowing was approximately HK\$4.4 million as at 30 April 2019.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that they were not aware of any material covenants relating to any of our outstanding debts, and we had complied with all covenants contained in our banking facilities agreements. Our Directors further confirm that, during the Track Record Period and up to the date of this prospectus, they were not aware of any material defaults in payment of our trade and other payables and bank borrowings.

STATEMENT OF INDEBTEDNESS

As at 31 July 2019, being the latest practicable date for the purpose of this indebtedness statement, our Group had the following outstanding indebtedness:

	As at 31 December 2017	2018	As at 30 April 2019	As at 31 July 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> <i>(unaudited)</i>
<i>Current liabilities:</i>				
Lease liabilities	—	—	1,454	2,486
Borrowings	—	—	1,440	1,457
Amount due to a related company	—	2,844	—	—
Amount due to a director	—	147	147	147
	<u>—</u>	<u>2,991</u>	<u>3,041</u>	<u>4,090</u>
<i>Non-current liabilities:</i>				
Lease liabilities	—	—	946	1,631
Borrowings	—	—	2,943	2,573
	<u>—</u>	<u>—</u>	<u>3,889</u>	<u>4,204</u>
Total liabilities	<u>—</u>	<u>2,991</u>	<u>6,930</u>	<u>8,294</u>

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Banking facilities

As at 31 July 2019, our Group had aggregate banking facilities of approximately HK\$14.2 million, which comprised of (i) banking facilities of approximately HK\$9.7 million in respect of guarantees to be issued by the bank to our suppliers which are mainly hotel operators and to the government of Macau, of which approximately HK\$3.6 million was unutilised; and (ii) banking facility of HK\$4.5 million in respect of bank borrowing for working capital purpose which is interest-bearing at the Macau commercial bank prime lending rate minus 1% per annum, of which has been fully utilised.

The above banking facilities of approximately HK\$9.7 million in respect of guarantees to be issued by the bank were secured by our bank deposits with original maturity over three months of approximately HK\$6.1 million and the remaining banking facility of HK\$4.5 million was (i) guaranteed by our executive Director, Mr. Choi, and such guarantee will be released upon Listing; and (ii) secured by 28 vehicles of our Group with carrying amounts of approximately HK\$10.3 million as at 31 July 2019.

To the best knowledge and belief of our Directors, our Group will not have material difficulties in obtaining new banking facilities or renewing our existing banking facilities with commercially acceptable terms after Listing.

Contingent liabilities

As at 31 December 2017 and 2018, 30 April 2019 and 31 July 2019, our Group did not have any significant contingent liabilities.

Material indebtedness change

Our Directors have confirmed that, up to the Latest Practicable Date, there has been no material change in indebtedness, capital commitment and contingent liabilities of our Group since 31 July 2019, being the latest practicable date for the preparation of the indebtedness statements.

Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, finance leases or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as at 31 July 2019, being the latest practicable date for the preparation of the indebtedness statement in this prospectus.

Our Directors have confirmed that there had not been any material change in the indebtedness, capital commitments and contingent liabilities of our Group since 31 July 2019, being the latest practicable date for the preparation of the indebtedness statement in this prospectus, and up to the Latest Practicable Date.

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LISTING EXPENSES

The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately HK\$29.0 million, based on the mid-point of the indicative Offer Price range of HK\$0.22 per Offer Share and 300,000,000 Offer Shares). Among the estimated total Listing expenses, (i) approximately HK\$8.8 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately HK\$20.2 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately HK\$5.8 million and HK\$5.5 million have been recognised for FY2018 and 4M2019, respectively, and the balance of approximately HK\$8.9 million is expected to be recognised for the eight months ending 31 December 2019.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2019 is subject to adjustment based on audit and the then changes in variables and assumptions.

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

OPERATING LEASE COMMITMENTS

Our Group as lessor

Our Group leases certain of our motor vehicles under operating lease arrangements, with leases negotiated for terms ranging from three months to five years during the Track Record Period.

Our Group had total future minimum lease receivables under non-cancellable operating leases falling due as at the dates indicated:

	As at 31 December		As at 30 April
	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,412	2,215	1,763
In the second to fifth years, inclusive	<u>3,150</u>	<u>2,490</u>	<u>2,190</u>
	<u>4,562</u>	<u>4,705</u>	<u>3,953</u>

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Our Group as lessee

Our Group leases a number of premises, carparking spaces and licences under operating lease arrangements. Leases for these premises are negotiated for terms ranging from one to four years. The leases are for various terms and are generally renewable at the end of the lease period at market rate. Our future minimum lease payments under the operating lease as at the dates indicated are set forth below:

	As at 31 December	
	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
No more than one year	612	1,824
Later than one year and no later than five years	<u>575</u>	<u>1,284</u>
	<u>1,187</u>	<u>3,108</u>

Our Group adopted HKFRS 16 on 1 January 2019, and recognised right-of-use assets and lease liabilities. Accordingly, no future minimum lease payments is presented as at 30 April 2019.

CAPITAL EXPENDITURES

Historical capital expenditures

Our capital expenditures during the Track Record Period mainly related to acquisition of vehicles and leasehold improvements and furniture, fixtures and equipment. For FY2017 and FY2018 and 4M2019, our capital expenditures amounted to approximately HK\$5.1 million, HK\$18.2 million and HK\$0.6 million, respectively. We principally funded our capital expenditures through internally generated funds during the Track Record Period.

Planned capital expenditures and capital commitment

Save for the planned usage of net proceeds from the Share Offer as disclosed in the section headed “Future plans and use of proceeds” in this prospectus, our Group has no material planned capital expenditures and capital commitment as at Latest Practicable Date.

PROPERTY INTEREST

As of the Latest Practicable Date, we leased eight properties and 39 car parking spaces in Macau, one property in the PRC and one property in Hong Kong for used as our offices, service points and carparking. For details, please refer to the paragraph headed “Business — Properties” in this prospectus. We did not own any properties during the Track Record Period and up to the Latest Practicable Date.

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RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 29 to the Accountants' Report, our Directors confirm that these transactions were conducted on arm's length basis and on normal commercial terms. Our Directors consider that these related party transactions would not distort our results during the Track Record Period, and would not make our historical results not reflective of our future performance.

OFF-BALANCE SHEET TRANSACTIONS

Our Directors confirm that our Group had not entered into any material off-balance sheet transactions or arrangements during the Track Record Period.

SUMMARY OF KEY FINANCIAL RATIOS

The following tables set forth certain of our key financial ratios as at the dates and for the years or period indicated:

	<u>FY2017</u>	<u>FY2018</u>	<u>4M2019</u>
Net profit margin before interest and tax (%) <i>(Note 1)</i>	17.8	11.4	5.7
Net profit margin (%) <i>(Note 2)</i>	15.5	9.8	4.7
Net profit margin (excluding Listing expenses) (%) <i>(Note 3)</i>	15.5	13.3	13.5
Return on equity (%) <i>(Notes 4 and 11)</i>	61.3	35.4	N/A
Return on total assets (%) <i>(Notes 3 and 11)</i>	38.9	24.5	N/A
Interest coverage (times) <i>(Note 4)</i>	10,451.5	1,887.3	73.8
	As at 31 December	As at 30 April	
	2017	2018	2019
Current ratio (times) <i>(Note 7)</i>	2.3	2.3	2.0
Quick ratio (times) <i>(Note 8)</i>	2.3	2.3	2.0
Gearing ratio (%) <i>(Note 9)</i>	1.6	—	16.9
Debt-to-equity ratio (%) <i>(Note 10)</i>	N/A	N/A	N/A

Notes:

- (1) Net profit margin before interest and tax is calculated based on the profit for year/period netting off the interest and tax expense divided by total revenue for the financial year/period multiplied by 100%.
- (2) Net profit margin is calculated based on the profit for the year/period divided by total revenue for the financial year/period and multiplied by 100%.
- (3) Net profit margin (excluding Listing expenses) is calculated based on the profit for the year/period netting off Listing expenses divided by total revenue for the financial year/period multiplied by 100%.

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- (4) Return on equity is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year divided by equity attributable to owners of our Company at the end of the financial year and multiplied by 100%.
- (5) Return on total assets is calculated based on the net profit/(loss) attributable to owners of our Company for the financial year divided by total assets at the end of the financial year and multiplied by 100%.
- (6) Interest coverage is calculated based on the profit before interest and tax for the financial year/period divided by interest expenses for the financial year/period.
- (7) Current ratio is calculated based on the total current assets at the end of the financial year divided by the total current liabilities at the end of the financial year/period.
- (8) Quick ratio is calculated based on the total current assets (excluding inventories) at the end of the financial year/period divided by the total current liabilities at the end of the financial year/period.
- (9) Gearing ratio is calculated based on total debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%.
- (10) Debt-to-equity ratio is calculated based on net debt at the end of the financial year/period divided by total equity at the end of the financial year/period and multiplied by 100%. Net debt is defined to include all borrowings net of cash and cash equivalents.
- (11) Return on equity and return on total assets for 4M2019 are not comparable to those for FY2017 and FY2018.

Net profit margin before interest and tax and net profit margin

Our net profit margin before interest and tax was approximately 17.8%, 11.4% and 5.7% for FY2017, FY2018 and 4M2019, respectively, and our Group recorded net profit margin of approximately 15.5%, 9.8% and 4.7% for FY2017, FY2018 and 4M2019, respectively. The decrease in our net profit margin before interest and tax and net profit margin for FY2018 and 4M2019 was mainly attributable to the non-recurring Listing expenses of approximately HK\$5.8 million and HK\$5.5 million incurred for FY2018 and 4M2019, respectively. Our net profit margin (excluding Listing expenses) was approximately 15.5%, 13.3% and 13.5% for FY2017, FY2018 and 4M2019, respectively.

Return on equity

Our return on equity were approximately 61.3% and 35.4% as at 31 December 2017 and 31 December 2018, respectively. The decrease in our return on equity was primarily attributable to (i) the decrease in net profit due to the non-recurring Listing expenses; and (ii) the increase in equity as at 31 December 2018 as a result of the increase in retained earnings.

Return on total assets

Our Group had return on total assets of approximately 38.9% and 24.5% for FY2017 and FY2018, respectively. The decrease in our return on total assets during FY2018 was primarily attributable to (i) the decrease in net profit due to the non-recurring Listing expenses; and (ii) the increase in our total assets as at 31 December 2018.

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Interest coverage

Our interest coverage decreased from approximately 10,451.5 times for FY2017 to approximately 1,887.3 times for FY2018. Such decrease was mainly due to the decrease in the profit before interest and tax for FY2018. Our interest coverage further decreased to approximately 73.8 times for 4M2019. Such decrease was primarily attributable to (i) the decrease in our profit before interest and tax due to the Listing expenses of approximately HK\$5.5 million incurred for 4M2019; and (ii) the increase in our interest expenses due to the interest on lease liabilities and the interest incurred on the secured bank borrowing drawn down by our Group in March 2019.

Current ratio and quick ratio

Our current ratio remained stable at approximately 2.3 times, 2.3 times and 2.0 times as at 31 December 2017 and 2018 and 30 April 2019, respectively.

As we do not carry inventories, our quick ratio was equivalent to our current ratio.

Gearing ratio

Our gearing ratio decreased from approximately 1.6 % as at 31 December 2017 to nil as at 31 December 2018, which was mainly due to our unsecured interest-free loan of approximately HK\$0.5 million has been fully repaid as at 31 December 2018. Our gearing ratio increased from nil as at 31 December 2018 to approximately 16.9% as at 30 April 2019. Such increase was mainly attributable to the combined effect of (i) the increase in our borrowings of approximately HK\$4.4 million; (ii) the increase in our lease liabilities of approximately HK\$2.4 million; and (iii) the decrease in our total equity base of approximately HK\$6.0 million as at 30 April 2019 as compared to 31 December 2018.

Debt-to-equity ratio

Our Group had net cash position as at 31 December 2017 and 2018 and 30 April 2019. Accordingly, debt-to-equity ratio was not applicable to our Group.

QUANTITATIVE AND QUALITATIVE ANALYSIS ABOUT FINANCIAL RISK

Our activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Our overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on our financial performance. Please refer to note 5 to the Accountants' Report for further details of the financial risk management.

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SENSITIVITY AND BREAKEVEN ANALYSIS

Sensitivity analysis

Our revenue was derived from (i) sales and distribution of hotel rooms; (ii) provision of car rental services; and (iii) sales and provision of air tickets and other ancillary travel-related products and services, which amounted approximately HK\$117.6 million, HK\$165.7 million and HK\$62.2 million for FY2017, FY2018 and 4M2019, respectively. Our costs of sales mainly comprised (i) cost of hotel rooms; (ii) costs of provision of limousine services; and (iii) cost of vehicle leasing, which amounted to approximately HK\$90.8 million, HK\$131.0 million and HK\$48.6 million for FY2017, FY2018 and 4M2019, respectively, representing approximately 77.2%, 79.1% and 78.2% of the total revenue for the respective years/period.

The following table sets forth the sensitivity analysis on our revenue and costs of sales, based on their respective average historical fluctuation of approximately 40.8% and 44.2% for FY2017 and FY2018 respectively, and their effects on our profit before tax for each financial year/period during the Track Record Period with all other variables held constant. Because a number of assumptions have been applied, the sensitivity analysis below is for illustrative purpose only.

	Increase/ (decrease) in percentage	Increase/(decrease) in profit before tax		
		FY2017	FY2018	4M2019
		HK\$'000	HK\$'000	HK\$'000
Revenue	40.8%	47,992	67,590	25,360
	(40.8)%	(47,992)	(67,590)	(25,360)
Cost of sales	44.2%	(40,155)	(57,891)	(21,485)
	(44.2)%	40,155	57,891	21,485

Breakeven analysis

For FY2017, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 17.8% or increase in cost of sales by approximately 23.0%, our Group would achieve breakeven.

For FY2018, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 11.4% or increase in cost of sales by approximately 14.4%, our Group would achieve breakeven.

For 4M2019, it is estimated that, holding all other variables constant, with a decrease in revenue by approximately 5.6% or an increase in cost of sales by approximately 7.2%, our Group would achieve breakeven.

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DIVIDEND AND DISTRIBUTABLE RESERVES

For FY2018, our Group declared dividends of approximately HK\$0.9 million, which was settled against amounts due from related companies and amount due from a director. For 4M2019, our Group declared dividends of approximately HK\$8.9 million, which was settled against amount due from immediate holding company and setting off with amounts due from related parties.

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. We have adopted a dividend policy, according to which our Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and in determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that our Board may consider relevant. It is also subject to the approval of our Shareholders, the Companies Law, the Articles of Association as well as any applicable laws. We do not have any pre-determined payout ratio.

The net amount due from related parties will be settled by way of distribution of dividends to Mr. Choi through assignment and offsetting of balances due from/(to) related parties prior to the Listing.

Our Company was incorporated on 18 December 2018 and there was no distributable reserve as at 31 December 2017 and 2018, respectively. As at 30 April 2019, we had distributable reserve of approximately HK\$0.4 million.

DISCLOSURE PURSUANT TO THE GEM LISTING RULES

Except as otherwise disclosed in this prospectus, we confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the paragraph headed “Unaudited pro forma statement of adjusted consolidated net tangible assets” in Appendix II to this prospectus for details.

POST BALANCE SHEET EVENTS

Please also refer to note 35 to the Accountants’ Report.

RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

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

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

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

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

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

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

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

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

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