

IPO FACT SHEET

Tu Yi Holding Company Limited (1701)

ISSUE STATISTICS

Offer Size:	HK\$130.0m - HK\$170.0m
Placement Tranche:	250m
Price:	HK\$0.52 - HK\$0.68
Board lot:	4,000
Entry fee:	HK\$2,747.41
Historical PE	19.8x – 25.9x
Net tangible asset per share:	HK\$0.23 - HK\$0.27
Market Cap (post-IPO):	HK\$520.0m- HK\$680.0m
Open:	18 June 2019
Close:	12.00 noon on 21 June 2019
Trading:	28 Jun 2019
Sponsor:	Innovax Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2017	168,867	-25.9%
2018	205,051	21.4%
Adjusted net profit for the year (excluding the non-recurring listing expenses)		
2017	21,643	44.7%
2018	22,608	4.5%

BACKGROUND

- The Group is a well-established and active outbound travel products and service provider in the PRC, with a particular focus in Japan bound package tours and related FIT Products to customers in Eastern China. For FY2016, FY2017 and FY2018, its tours bound for Japan accounted for approximately 63.7%, 85.1% and 78.4% of its total revenue for package tours and day tours, respectively.
- For FY2018, it ranked fifth in Eastern China in terms of revenue of outbound tourism to Japan, representing approximately 1.2% of the total revenue of tourism bound to Japan of outbound travel agencies in Eastern China.
- According to the F&S Report, Chinese outbound tourists to Japan increased from approximately 3.2 million in 2014 to approximately 8.4 million in 2018, attaining a CAGR of 26.7% which is much higher than the CAGR of approximately 10.9% for increase in total number of outbound tourist visits.
- The Group established its first wholly-owned subsidiary in Japan to facilitate its management of Japan tours operation in 2015. It has also tapped into the hospitality industry in Japan by acquiring the Shizuoka Hotel in 2015 and two plots of land in Tokyo for construction of the Tokyo Hotel in 2016, respectively. The Tokyo Hotel started to generate revenue since its commencement of operation in October 2018.

BUSINESS STRATEGIES

- Continue to enhance its product portfolio by developing new products and services.
- Purchase tour buses and establish its own bus fleet to exclusively serve its Japan tours including local tours.
- Establish sales network in Hong Kong and to expand its customer base.
- Identify and pursue hospitality asset acquisition opportunities in Kyoto, Japan.
- Strengthen its market position and increase its market share by investing in a travel agency company in Tokyo, Japan.
- Continue to attract experienced personnel through recruitment and provide trainings and professional development to existing personnel.

COMPETITIVE STRENGTHS

- The Group is well positioned to capitalise on market opportunities arising from the growth of outbound travel in the PRC.
- The Group has an established presence and brand name in the PRC and it has maintained good business relationships with airlines and other suppliers.
- Through its well-established sales network with several online sales platforms and online travel agencies in the PRC, the Group is able to

offer a variety of outbound travel products and services to its end customers in different geographical locations.

- The Group has an experienced and dedicated management team with proven track record of leadership and execution.

KEY RISKS

- Any material adverse change in the economic, political or social conditions relating to Japan, deterioration of diplomatic relationships between the PRC and Japan, negative developments related to the Japan tourism market, or natural or other disasters occurring in Japan.
- Any future changes to the respective visa application policies of the PRC government and the Japanese government.
- Changes in the foreign exchange rate for Japanese Yen.
- The Group derives material portion of revenue from customers in the PRC and any downturn in the PRC economy could have a material adverse effect on its business and operating results.
- The Group derives a considerable portion of total gross profit from commission revenue and its profitability may be adversely affected should the commission revenue decreases.
- Increased market competition from competing agents, hotel/flight providers, online travel platforms and alternative travel booking media.
- Natural disasters, acts or threats of terrorism, wars, travel-related accidents, outbreak of contagious diseases or other catastrophic events which affect consumer demand for travel activities or a general apprehension of such events.
- The Group may experience weak liquidity because of its net current liability and negative cash flow from its operating activities.
- The PRC government may determine that the Contractual Arrangements are not in compliance with applicable PRC laws, rules, regulations or policies and may take actions against the Group or its operation.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
To enhance its product portfolio by developing new products and services.	2.1	2.0%
To purchase tour buses and for the engagement of third party tour bus operators.	13.7	13.0%
(i) To establish sales network in Hong Kong; (ii) to expand its customer base by opening new office(s) in Hong Kong in the next two years; (iii) for the operation of its new Hong Kong office(s); and (iv) for hiring of personnel to be based at its Hong Kong office(s).	21.0	20.0%
To acquire hospitality asset in Kyoto, Japan.	21.0	20.0%
To invest in a travel agency company in Tokyo, Japan.	21.0	20.0%
To engage more personnel in Japan.	15.7	15.0%
To be used as general working capital.	10.5	10.0%
Total:	105.0	100.0%

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