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**CTEH INC.**

**加達控股有限公司**

*(incorporated in Ontario, Canada and continued in the Cayman Islands with limited liability)*

**(Stock Code: 1620)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**FINANCIAL HIGHLIGHTS**

	<b>Year ended December 31,</b>		
	<b>2019</b>	<b>2018</b>	<b>Increase/ (decrease)</b>
	<b>HK\$ million</b>	<b>HK\$ million</b>	
Revenue	<b>112.1</b>	149.2	(24.9%)
Gross profit	<b>80.3</b>	103.7	(22.6%)
Profit for the year	<b>10.7</b>	11.1	(3.6%)
Adjusted profit for the year <sup>(note)</sup>	<b>10.7</b>	24.4	(56.1%)
Basic and diluted earnings per share (HK cents)	<b>0.9</b>	1.1	(18.2%)
Proposed final dividend per share (HK cents)	<b>0.54</b>	0.46	17.4%

*Note: Adjusted profit for the year refers to profit for the year ended December 31, 2018 excluding (i) listing expenses and (ii) deferred income tax impact from the deductible listing expenses recognised in income tax expenses. The adjusted profit for the year is solely for reference and does not include the aforementioned items that impact the profit or loss for the relevant year.*

The board (the “**Board**”) of directors (the “**Directors**”) of CTEH INC. (“**CTEH**” or the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2019, together with the comparative figures for the year ended December 31, 2018, as set out below.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	Year ended December 31,	
		2019 HK\$'000	2018 HK\$'000
Revenue	3	112,141	149,181
Cost of sales	5	(31,792)	(45,493)
<b>Gross profit</b>		<b>80,349</b>	103,688
Other income	4	375	—
Other gains, net	4	357	456
Selling expenses	5	(17,599)	(18,456)
Administrative expenses	5	(47,221)	(67,710)
<b>Operating profit</b>		<b>16,261</b>	17,978
Finance income	6	621	1,049
Finance costs	6	(227)	(644)
Finance income, net	6	394	405
Share of net loss of joint ventures		(1,140)	(2,668)
<b>Profit before income tax</b>		<b>15,515</b>	15,715
Income tax expense	7	(4,768)	(4,620)
<b>Profit for the year</b>		<b>10,747</b>	11,095
<b>Other comprehensive income/(loss)</b>			
Item that may be subsequently reclassified to profit or loss:			
– <i>Currency translation differences</i>		1,669	(3,181)
Item that will not be reclassified to profit or loss:			
– <i>Change in fair value of equity instrument at fair value through other comprehensive income</i>		(639)	—
<b>Other comprehensive income/(loss) for the year</b>		<b>1,030</b>	(3,181)
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>11,777</b>	7,914
Basic and diluted earnings per share (HK\$ Cents)	8	0.9	1.1

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2019

	Notes	As at December 31, 2019 HK\$'000	As at December 31, 2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		5,947	5,819
Intangible assets		4,920	4,913
Right-of-use assets		7,252	—
Interests in joint ventures		11,192	12,332
Financial asset at fair value through profit or loss (“FVTPL”)		1,395	—
Financial asset at fair value through other comprehensive income (“FVTOCI”)		2,359	—
Deferred income tax assets		17,678	17,607
		<b>50,743</b>	<b>40,671</b>
<b>Current assets</b>			
Trade receivables	10	15,727	16,418
Prepayments, deposits and other receivables		93,411	73,414
Financial asset at fair value through profit or loss		15,300	—
Income tax recoverable		5,814	320
Cash and cash equivalents		71,579	138,274
		<b>201,831</b>	<b>228,426</b>
<b>Total assets</b>		<b>252,574</b>	<b>269,097</b>
<b>EQUITY</b>			
<b>Equity attributable to the owners of the Company</b>			
Share capital	11(a)	120	120
Share premium		88,248	88,248
Other reserve	11(b)	(41,256)	(41,256)
Financial asset at FVOCI reserve	11(c)	(639)	—
Exchange reserve		7,648	5,979
Retained earnings		113,025	107,798
		<b>167,146</b>	<b>160,889</b>
<b>Total equity</b>		<b>167,146</b>	<b>160,889</b>

	Notes	As at December 31, 2019 HK\$'000	As at December 31, 2018 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		1,138	696
Lease liabilities		4,895	—
		<u>6,033</u>	<u>696</u>
<b>Current liabilities</b>			
Trade payables	12	34	35
Accruals and other payables		73,268	103,519
Contract liabilities		3,574	3,958
Lease liabilities		2,519	—
		<u>79,395</u>	<u>107,512</u>
<b>Total liabilities</b>		<u><u>85,428</u></u>	<u><u>108,208</u></u>
<b>Total equity and liabilities</b>		<u><u>252,574</u></u>	<u><u>269,097</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

CTEH INC. (the “**Company**”) was incorporated in Ontario, Canada on August 18, 2017 and continued in the Cayman Islands from October 20, 2017 as an exempted company with limited liability. The registered address of the Company is 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

The Company is an investment holding company. The Group are engaged in air ticket distribution, travel business process management and travel products and services (the “**Business**”) in Canada and the United States (the “**U.S.**”).

The Group operates under the licenses issued by the International Airport Transportation Association (“**IATA**”), the Travel Industry Council of Ontario (“**TICO**”), the Québec l’Office de la Protection du Consommateur (“**OPC**”) and the Business Practices & Consumer Protection Authority of British Columbia in Canada, which require the Group to comply with certain industry regulations.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **Basis of preparation**

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) as issued by IASB and related interpretations and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss and financial asset at fair value through other comprehensive income which are carried at fair value.

(i) ***New or revised standards adopted by the Group***

A number of new or revised standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 19	Plan amendment, curtailment or settlement
Amendments to IAS 28	Long-term interest in associates and joint ventures
IFRIC 23	Uncertainty over income tax treatments
Annual improvement to IFRSs 2015-2017 cycles	Amendments on IFRS 3 Business combinations
	Amendments on IFRS 11, Joint arrangements
	Amendments on IAS 12, Income taxes
	Amendments on IAS 23, Borrowing costs

The impact of the adoption of IFRS 16 Leases have been summarised in below. The other new or revised standards that are effective from January 1, 2019 did not have any significant impact on the Group's accounting policies.

**Impact of the adoption of IFRS 16**

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 *Leases* ("IAS 17"), IFRIC-Int 4 *Determining whether an Arrangement contains a Lease*, SIC-Int 15 *Operating Leases-Incentives* and SIC-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use asset and a lease liability, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer the matters set out below.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16, if any, as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following tables summarised the impact of transition to IFRS 16 on the consolidated statement of financial position as of December 31, 2018 to that of January 1, 2019 as follows:

	<i>HK\$'000</i>
Consolidated statement of financial position as at January 1, 2019	
Right-of-use assets	4,964
Lease liabilities (non-current)	2,898
Lease liabilities (current)	2,066

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of December 31, 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at January 1, 2019:

	<i>HK\$'000</i>
<i>Reconciliation of operating lease commitment to lease liabilities</i>	
Operating lease commitment as of December 31, 2018	5,559
Less: short term leases for which lease terms end within December 31, 2019	(267)
Less: future interest expenses	(328)
	4,964
Total lease liabilities as of January 1, 2019	4,964

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at January 1, 2019 is 4.2%.

#### **The new definition of a lease**

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has no non-lease components in all its leases.

### **Accounting as a lessee**

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value leased assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised right-of-use assets and a lease liabilities at January 1, 2019.

### **Right-of-use asset**

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying the cost model. Under the cost model, the Group measures the right-to-use at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

### **Lease liability**

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.



Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

### **Transition**

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16, if any, as an adjustment to the opening balance of retained earnings at the date of initial application (January 1, 2019). The comparative information presented in 2018 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has recognised the lease liabilities at the date of January 1, 2019 for leases previously classified as operating leases applying IAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at January 1, 2019.

The Group has elected to recognise all the right-of-use assets at January 1, 2019 for leases previously classified operating leases under IAS 17 as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied IAS 36 Impairment of Assets at January 1, 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for low-valued leased assets with term that will end within 12 months of the date of initial application (January 1, 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at January 1, 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and IFRIC-Int4.

**(ii) New accounting standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

The following new standards, amendments to standards and interpretations, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after</b>
Amendments to IFRS 3	Definition of a business	January 1, 2020
Amendments to IAS 1 and IAS 8	Definition of material	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2022
Amendments to IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined*

\* The amendments were originally intended to be effective for periods beginning on or after January 1, 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

**(a) Amendments to IFRS 3 – Definition of a business**

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a “substantive process”.

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of “outputs” and a “business” to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

**(b) Amendments to IAS 1 and IAS 8 – Definition of material**

The amendments clarify the definition and explanation of “material”, aligning the definition across all IFRS Standards and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

**(c) IFRS 17 – Insurance contracts**

IFRS 17 will replace IFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and consolidated financial statements.

**3 REVENUE AND SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers that are used for making strategic decisions. The chief operating decision makers are identified as the executive directors of the Company. The chief operating decision makers regularly monitor and receive reports relating to the performance of the three lines of business the Group operates during the year. In this regard, management has identified three reportable operating segments, namely (1) Air ticket distribution, (2) Travel business process management and (3) Travel products and services.

The major business activities for the three segments are summarised as follows:

- Air ticket distribution: The Group sells air tickets on behalf of airlines in exchange for margin income and incentive commissions from airlines.
- Travel business process management: The Group performs certain administrative and management services mainly for travel agencies in exchange for travel business process management fees.
- Travel products and services: The Group packages various travel products from suppliers into company- operated tours. The Group also sells other travel products and services, where the travelers are responsible for their trips using travel services sourced by the Group.

The performance of the operating segments is assessed based on segment revenue and a measure of segment operating results. Unallocated administrative expenses, other income, other gains, net, finance income/(costs), net and income tax expense are not included in the segment results. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the Group's chief operating decision makers.

	<b>Year ended December 31, 2019</b>			
	<b>Air ticket distribution HK\$'000</b>	<b>Travel business process management HK\$'000</b>	<b>Travel products and services HK\$'000</b>	<b>Total HK\$'000</b>
Revenue from external customers	<u>71,604</u>	<u>25,947</u>	<u>14,590</u>	<u>112,141</u>
Time of revenue recognition				
At a point in time	71,604	25,947	3,563	101,114
Over the time	—	—	11,027	11,027
	<u>71,604</u>	<u>25,947</u>	<u>14,590</u>	<u>112,141</u>
<b>Segment results</b>	<b>35,870</b>	<b>11,682</b>	<b>2,407</b>	<b>49,959</b>
Other income				375
Other gains, net				357
Administrative expenses				(34,430)
Finance income, net				394
Share of net loss of joint ventures				(1,140)
Profit before income tax				15,515
Income tax expense				(4,768)
<b>Profit for the year</b>				<u><u>10,747</u></u>
<b>Other segment items:</b>				
Depreciation and amortisation	1,373	2,045	781	4,199
Capital expenditure	<u>1,282</u>	<u>1,911</u>	<u>728</u>	<u>3,921</u>

	Year ended December 31, 2018			Total HK\$'000
	Air ticket distribution HK\$'000	Travel business process management HK\$'000	Travel products and services HK\$'000	
Revenue from external customers	<u>94,598</u>	<u>25,562</u>	<u>29,021</u>	<u>149,181</u>
Time of revenue recognition				
At a point in time	94,598	25,562	4,212	124,372
Over the time	<u>—</u>	<u>—</u>	<u>24,809</u>	<u>24,809</u>
	<u>94,598</u>	<u>25,562</u>	<u>29,021</u>	<u>149,181</u>
<b>Segment results</b>	51,785	14,744	1,259	67,788
Other gains, net				456
Administrative expenses				(50,266)
Finance income, net				405
Share of net loss of joint ventures				<u>(2,668)</u>
Profit before income tax				15,715
Income tax expense				<u>(4,620)</u>
<b>Profit for the year</b>				<u>11,095</u>
<b>Other segment items:</b>				
Depreciation and amortisation	1,332	761	952	3,045
Capital expenditure	<u>2,134</u>	<u>1,218</u>	<u>1,523</u>	<u>4,875</u>

Revenue from external parties contributing 10% or more of the total revenues of the Group is as follows:

	Year ended December 31,	
	2019 HK\$'000	2018 HK\$'000
Company A – travel business process management segment	<u>24,626</u>	<u>24,340</u>

There is no material inter-segment revenue.

The Group's revenue by geographical locations (as determined by the area or country in which the Group operates) is analysed as follows:

	<b>Year ended December 31,</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Canada	<b>93,638</b>	120,023
United States	<b>18,503</b>	29,158
	<u><b>112,141</b></u>	<u>149,181</u>

The following is an analysis of the carrying amounts of the Group's assets analysed by geographical area in which the assets are located:

	<b>Year ended December 31,</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Canada	<b>147,155</b>	149,860
United States	<b>57,080</b>	38,831
Hong Kong	<b>48,339</b>	80,406
	<u><b>252,574</b></u>	<u>269,097</u>

As at December 31, 2019, all non-current assets, other than deferred income tax assets of approximately HK\$129,000 (2018: HK\$157,000) and investment in joint ventures of approximately HK\$11,192,000 (2018: HK\$ 12,332,000), are located in Canada.

#### **4 OTHER INCOME AND OTHER GAINS, NET**

	<b>Year ended December 31,</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>Other income</b>		
Dividends income	<u><b>375</b></u>	<u>—</u>
<b>Other gains, net</b>		
Foreign exchange (loss)/gain	<b>(393)</b>	371
Gain on disposal of property, plant and equipment	<b>—</b>	85
Fair value change in financial asset at FVTPL	<b>750</b>	—
	<u><b>357</b></u>	<u>456</u>

## 5 EXPENSES BY NATURE

	Year ended December 31,	
	2019	2018
	HK\$'000	HK\$'000
Cost of package tours and tickets	9,325	24,194
Employee benefit expenses (including directors' emoluments)	56,011	52,093
Office, telecommunication and utility expenses	4,791	3,539
Amortisation of right-of-use assets	2,252	—
Operating lease rental payments	267	2,862
Advertising and promotion	1,990	3,191
Credit card fees	954	1,280
Auditor's remuneration		
– Audit service	1,500	2,002
– Non-audit service	100	599
Depreciation of property, plant and equipment	2,145	1,762
Amortisation of intangible assets	3,076	2,489
Legal and professional fees	3,551	1,021
Service fees	4,544	8,191
Listing expenses	—	18,068
Others	6,106	10,368
	<u>96,612</u>	<u>131,659</u>
Total cost of sales, selling and administrative expenses	<u>96,612</u>	<u>131,659</u>

## 6 FINANCE INCOME, NET

	Year ended December 31,	
	2019	2018
	HK\$'000	HK\$'000
<b>Finance income</b>		
– Interest income	621	1,049
	<u>621</u>	<u>1,049</u>
<b>Finance costs</b>		
– Interest expense on lease liabilities	(227)	—
– Interest expense on bank borrowings	—	(644)
	<u>(227)</u>	<u>(644)</u>
Finance income, net	<u>394</u>	<u>405</u>

## 7 INCOME TAX EXPENSE

Canadian corporate income tax has been provided at the rate of 26.5% for the year ended December 31, 2019 (2018: 26.5%) on the Group's respective taxable income. United States federal income tax has been provided at the rate of 21% for the year ended December 31, 2019 (2018: 21%) on the Group's respective taxable income and the United States state and city tax has been calculated on the estimated assessable profit at 11.8% for the year ended December 31, 2019 (2018: 8.85%).

	Year ended December 31,	
	2019	2018
	HK\$'000	HK\$'000
<b>Current income tax</b>		
– Canadian corporate income tax	3,814	10,024
– United States federal income tax	281	42
– United States state income tax	220	156
– Under/(Over) provision in prior years	82	(550)
<b>Deferred income tax</b>	371	(5,052)
<b>Income tax expense</b>	<u>4,768</u>	<u>4,620</u>

## 8 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods stated in note 11.

	Year ended December 31,	
	2019	2018
Profit attributable to owners of the Company (HK\$'000)	<u>10,747</u>	<u>11,095</u>
Weighted average number of ordinary shares in issue (Number of shares in thousand)	<u>1,200,000</u>	<u>1,053,699</u>
Basic and diluted earnings per shares (HK\$ Cents)	<u>0.9</u>	<u>1.1</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. For the years ended December 31, 2019 and 2018, the Group had no dilutive potential ordinary shares.



## 9 DIVIDEND

On March 31, 2020, the Board resolved to propose a final dividend in respect of the Year 2019 of 0.54 HK cents per share, amounting to a total dividend of approximately HK\$6,480,000 (2018: a final dividend in respect of the Year 2018 of 0.46 HK cents per share, amounting to a total dividend of approximately HK\$5,520,000). Such dividend is subject to the approval by the shareholders of the Company (the “Shareholders”) at the annual general meeting to be held on June 18, 2020. This proposed dividend is not reflected as a dividend payable in the consolidated financial statements as at December 31, 2019.

## 10 TRADE RECEIVABLES

	As at <b>December 31,</b> <b>2019</b> <b>HK\$’000</b>	As at December 31, 2018 HK\$’000
Incentive commission receivables	13,158	14,378
Other trade receivables	2,569	2,040
	<u>15,727</u>	<u>16,418</u>

Trade receivables primarily represent incentive commission receivables from airlines. The payment periods from customers generally range from 30 to 60 days.

The aging analysis of trade receivables based on initiation date is as follows:

	As at <b>December 31,</b> <b>2019</b> <b>HK\$’000</b>	As at December 31, 2018 HK\$’000
0 to 60 days	15,609	16,304
61 to 120 days	—	—
121 to 180 days	—	—
181 to 365 days	118	114
	<u>15,727</u>	<u>16,418</u>

As at December 31, 2019, trade receivables of HK\$118,000 (2018: HK\$114,000) was past due but not impaired. These primarily represent incentive commission receivables from airlines and based on past experience, the overdue amounts can be recovered. The aging analysis of these trade receivables, based on due date, is as follows:

	<b>As at December 31,</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
<b>Overdue</b>		
Less than 30 days	—	—
31 to 90 days	—	—
Over 90 days	<b>118</b>	114
	<u>118</u>	<u>114</u>
	<b><u>118</u></b>	<b><u>114</u></b>

The carrying amounts of trade receivables approximate their fair values at each reporting date and are denominated in the following currencies:

	<b>As at December 31,</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
CAD	<b>12,568</b>	10,959
USD	<b>3,159</b>	5,459
	<u>15,727</u>	<u>16,418</u>
	<b><u>15,727</u></b>	<b><u>16,418</u></b>

The maximum exposure to credit risk is the carrying amount of trade receivables and the Group does not have any receivables held as collateral or security.

## 11 SHARE CAPITAL AND OTHER RESERVE

### (a) Share capital

	Number of ordinary shares (‘000)	Nominal value of ordinary shares HK\$’000
<b>Authorised:</b>		
Ordinary shares of HK\$0.0001 each		
As at January 1, 2018 and December 31, 2018 and 2019	<u>90,000,000</u>	<u>9,000</u>
<b>Issued and fully paid:</b>		
As at January 1, 2018	900,000	90
Issue of shares pursuant to the Share Offer (note (i))	<u>300,000</u>	<u>30</u>
As at December 31, 2018 and 2019	<u><u>1,200,000</u></u>	<u><u>120</u></u>

Note:

- (i) In connection with the Company’s listing on Main Board of the Stock Exchange of Hong Kong Limited on June 28, 2018, 300,000,000 new ordinary shares of HK\$0.0001 each were issued at a price of HK\$0.36 per share for a total cash consideration (before share issuance expenses) of approximately HK\$108,000,000, with net issuance costs amounted to approximately HK\$19,752,000 being charged to the share premium account of the Company. Net share premium of approximately HK\$88,248,000 was credited to equity.

### (b) Other reserve

The other reserve presented in the consolidated statements of financial position represented the difference between the face value and the redemption value of the 10,000,000 Class A redeemable preference shares issued to the shareholders on September 1, 2011.

Upon completion of the exchange of redeemable preference shares into the ordinary shares of the Company on October 9, 2017 for reorganisation, the carrying amount of redeemable preference shares amounting to HK\$54,920,000 was recorded in other reserve.

### (c) Financial asset at FVOCI reserve

Financial asset at FVOCI reserve comprises the cumulative net change in fair value of unlisted equity securities held at the end of the reporting period.

## 12 TRADE PAYABLES

The ageing analysis of trade payables based on invoice date is as follows:

	<b>As at December 31, 2019 HK\$'000</b>	As at December 31, 2018 HK\$'000
0 to 30 days	24	13
31 to 60 days	10	15
61 to 90 days	—	7
	<u>34</u>	<u>35</u>

The carrying amounts of the trade payables approximate their fair values as at December 31, 2019 and 2018 and are all denominated in CAD.

## 13 BANKING FACILITIES

The Group has banking facilities available in the form of a demand revolving loan of HK\$17,989,000 as at December 31, 2019 (2018: HK\$17,222,000).

The banking facilities were secured by trade and other receivables and cash and cash equivalents of the Group and a security subordination agreement in favour of one of the banks.

The banking facilities are also secured by a guarantee from a Canadian Crown corporation, an enterprise wholly owned by the Government of Canada, in the amount of HK\$66,038,000 as at December 31, 2019 (2018: HK\$63,223,000).

The Group did not draw down any borrowings from the banking facilities and was in compliance with all banking covenants as at December 31, 2019 and 2018.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is a long-established air ticket consolidator, travel business process management provider and travel products and services provider in Canada, founded in 1976 and with more than 40 years of operating history. The principal businesses of the Group include (i) air ticket distribution in which it distributes air tickets to travel agents and travelers and issue air tickets directly on behalf of contracted airlines; (ii) travel business process management in which it provides mid-office and back-office support services to travel agents; and (iii) travel products and services in which it designs, develops and sells package tours, as well as other travel products and services to travel agents and travelers.

2019 was challenging marked by continuous escalation of China-US trade frictions and broad geopolitical backdrop. These uncertainties negatively affected the Group's revenue which led to a corresponding significant decrease in gross profit. The total revenue of the Group decreased by approximately 24.9% from approximately HK\$149.2 million for the year ended December 31, 2018 to approximately HK\$112.1 million for the year ended December 31, 2019, which was mainly due to lower revenue generated from air ticket distribution and travel products and services segments. Excluding the non-recurring listing expenses and respective deferred income tax impact for the year ended December 31, 2018, the Group's profit for the year decreased by approximately 56.1% from adjusted profit of approximately HK\$24.4 million for the year ended December 31, 2018 to profit of approximately HK\$10.7 million for the year ended December 31, 2019. However, the overall gross profit margin increased by approximately 2.1% from approximately 69.5% for the year ended December 31, 2018 to approximately 71.6% for the year ended December 31, 2019 due to the increase in the gross profit margin across all three business segments. In 2019, the Group had expanded one of the regional offices in Canada and hired 34 staff for the increasing business volumes from new customers of air ticket distribution and travel business process management. The Group also acquired technological tools and provided training to the staff to improve the efficiency and accuracy of their services.

#### **Air Ticket Distribution**

Air ticket distribution business segment continued to be the largest revenue contributor of the Group. Segment revenue dropped by approximately 24.3%, from approximately HK\$94.6 million in the year ended December 31, 2018 to approximately HK\$71.6 million in the year ended December 31, 2019, and accounted for approximately 63.9% of the total revenue of the Group. Such decrease was mainly attributable to the decrease in the transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of

declining international travel between North America and Asia due to the trade war between the United States and China. As one of the International Airport Transportation Association (IATA) accredited travel agents in Canada and one of the Airlines Reporting Corporation (ARC) accredited travel agents in the United States, the Group is qualified to obtain ticketing authority to issue air tickets of all available flights (origins and destinations) on behalf of IATA member airlines and ARC member airlines and secure private fare deals directly from them. As of December 31, 2019, the Group had ticketing authority for more than 150 airlines and private fare deals with around 70 airlines, including top airlines based in Canada, the United States and China.

### **Travel Business Process Management**

The Group continued to provide a range of travel business process management including air ticket transaction processing, customer contact, BSP/ARC settlement and reconciliation, software development and travel licensing, compliance and other administrative matters to its customers. Segment revenue generated from travel business process management increased by approximately 1.2%, from approximately HK\$25.6 million in the year ended December 31, 2018 to approximately HK\$25.9 million in the year ended December 31, 2019, and accounted for approximately 23.1% of the total revenue of the Group. The management has continued to expand the Group's customer base by initiating sales efforts targeting travel agents that share similar profile and market positioning as its existing customers. During the year ended December 31, 2019, the Group had been providing travel business process management services to 10 travel agents which include some of well-known global brands.

### **Travel Products and Services**

The Group continued to offer package tours and other travel products and services to more than 200 cities in over 40 countries in Asia, Europe, Middle East, North America and South American to its customers. Segment revenue generated from travel products and services decreased by approximately 49.7%, from approximately HK\$29.0 million in the year ended December 31, 2018 to approximately HK\$14.6 million in the year ended December 31, 2019, and accounted for approximately 13.0% of the total revenue of the Group. Such decrease was mainly due to decreased sales volume of package tours.

### **FUTURE PROSPECT**

Looking forward, the outbreak of the novel coronavirus pneumonia (2019-nCoV) (the "Epidemic") in early 2020 is having negative impact on the airline, travel and tourism industry worldwide. The situation relating to the spread and containment of the Epidemic remains uncertain and fluid, the Group will closely monitor the trend of the global environment and maintain pragmatic approach for its businesses.

## FINANCIAL REVIEW

### REVENUE

The following table sets forth the components of the revenue by business segment for the years:

	Year ended December 31,			
	2019		2018	
	HK\$'000	%	HK\$'000	%
Air ticket distribution	71,604	63.9	94,598	63.4
Travel business				
process management	25,947	23.1	25,562	17.1
Travel products and services	14,590	13.0	29,021	19.5
Total	<u>112,141</u>	<u>100.0</u>	<u>149,181</u>	<u>100.0</u>

The Group's revenue decreased by approximately HK\$37.1 million or approximately 24.9%, from approximately HK\$149.2 million for the year ended December 31, 2018 to approximately HK\$112.1 million for the year ended December 31, 2019. Such decrease was mainly attributable to lower revenue generated from air ticket distribution and travel products and services segment.

#### Air Ticket Distribution

The revenue from air ticket distribution segment decreased by approximately HK\$23.0 million, or approximately 24.3%, from approximately HK\$94.6 million for the year ended December 31, 2018 to approximately HK\$71.6 million for the year ended December 31, 2019. Such decrease was mainly attributable to the decrease in the transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales as a result of declining international travel between North America and Asia due to the trade war between the United States and China.

#### Travel Business Process Management

The revenue from travel business process management segment increased by approximately HK\$0.3 million or approximately 1.2%, from approximately HK\$25.6 million for the year ended December 31, 2018 to approximately HK\$25.9 million for the year ended December 31, 2019. The revenue from travel business process management segment remained relatively stable during the period.

## Travel Products and Services

The revenue from travel products and services segment decreased by approximately HK\$14.4 million or approximately 49.7%, from approximately HK\$29.0 million for the year ended December 31, 2018 to approximately HK\$14.6 million for the year ended December 31, 2019. Such decrease was mainly attributable to the decreased sales volume of package tours.

## GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the components of the gross profit by business segment for the years:

	For the year ended December 31,			
	2019		2018	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	HK\$'000	%	HK\$'000	%
Air ticket distribution	57,627	80.5	79,406	83.9
Travel business				
process management	17,457	67.3	18,222	71.3
Travel products and services	5,265	36.1	6,060	20.9
<b>Total</b>	<b>80,349</b>	<b>71.6</b>	<b>103,688</b>	<b>69.5</b>

The gross profit decreased by approximately HK\$23.4 million or approximately 22.6%, from approximately HK\$103.7 million for the year ended December 31, 2018 to approximately HK\$80.3 million for the year ended December 31, 2019.

The gross profit margin increased by approximately 2.1%, from approximately 69.5% for the year ended December 31, 2018 to approximately 71.6% for the year ended December 31, 2019. Such increase was primarily attributable to the increasingly higher portion of the revenue from air ticket distribution segment and travel business process management in 2019 which derived higher profit margins as compared to the travel products and services segment.



### **Air Ticket Distribution**

The gross profit attributable to air ticket distribution segment decreased by approximately HK\$21.8 million, or approximately 27.5%, from approximately HK\$79.4 million for the year ended December 31, 2018 to approximately HK\$57.6 million for the year ended December 31, 2019. The gross profit margin for air ticket distribution segment decreased by approximately 3.4% from approximately 83.9% for the year ended December 31, 2018 to approximately 80.5% for the year ended December 31, 2019, which was primarily attributable to the decrease in incentive commission received from airline suppliers

### **Travel Business Process Management**

The gross profit attributable to travel business process management segment decreased by approximately HK\$0.7 million, or approximately 3.8%, from approximately HK\$18.2 million for the year ended December 31, 2018 to approximately HK\$17.5 million for the year ended December 31, 2019. The gross profit margin for travel business process management segment decreased by approximately 4.0% from approximately 71.3% for the year ended December 31, 2018 to approximately 67.3% for the year ended December 31, 2019, which was mainly due to the greater proportional increase in the business segment cost of sales than in the business segment revenue.

### **Travel Products and Services**

The gross profit attributable to travel products and services segment decreased by approximately HK\$0.8 million or approximately 13.1%, from approximately HK\$6.1 million for the year ended December 31, 2018 to approximately HK\$5.3 million for the year ended December 31, 2019. The gross profit margin for travel products and services segment increased by approximately 15.2% from approximately 20.9% for the year ended December 31, 2018 to approximately 36.1% for the year ended December 31, 2019, which was primarily attributable to considerable increase in the revenue of other travel products and services.

### **Selling Expenses**

The selling expenses slightly decreased by approximately HK\$0.9 million or approximately 4.9%, from approximately HK\$18.5 million for the year ended December 31, 2018 to approximately HK\$17.6 million for the year ended December 31, 2019, which was mainly due to decrease in advertising and promotion expenses during 2019.

## **Administrative Expenses**

The administrative expenses decreased by approximately HK\$20.5 million or approximately 30.3%, from approximately HK\$67.7 million for the year ended December 31, 2018 to approximately HK\$47.2 million for the year ended December 31, 2019, which was mainly due to the decrease in non-recurring listing expenses incurred in the year ended December 31, 2018 partially offset by the increase in legal and professional fees incurred following the listing.

## **Profit for the year**

As a result of the foregoing, profit of the Group decreased by approximately HK\$0.4 million or approximately 3.6%, from approximately HK\$11.1 million for the year ended December 31, 2018 to approximately HK\$10.7 million for the year ended December 31, 2019.

Excluding the non-recurring listing expenses and respective deferred income tax impact for the year ended December 31, 2018, the Group's profit for the year decreased by approximately 56.1% from adjusted profit of approximately HK\$24.4 million for the year ended December 31, 2018 to profit of approximately HK\$10.7 million for the year ended December 31, 2019.

## **FINANCIAL RESOURCES AND LIQUIDITY**

During the year ended December 31, 2019, the Group's primary source of funding included its own working capital, the net proceeds from the listing and the credit facilities provided by the Group's principal bank in Canada.

Net cash used in operating activities was approximately HK\$35.5 million in the year ended December 31, 2019, as compared with net cash generated from operating activities of approximately HK\$0.4 million in the year ended December 31, 2018. Net cash used in investing activities was approximately HK\$21.4 million in the year ended December 31, 2019, as compared with net cash generated from investing activities of approximately HK\$24.4 million in the year ended December 31, 2018, respectively. Net cash used in financing activities in the year ended December 31, 2019 was approximately HK\$7.6 million, as compared with net cash generated from financing activities of approximately HK\$53.1 million in the year ended December 31, 2018.

As at December 31, 2019, the Group's cash and cash equivalents amounted to approximately HK\$71.6 million, representing a decrease of approximately 48.2% from approximately HK\$138.3 million as at December 31, 2018.

The Group's gearing ratio is calculated based on total debt divided by the shareholders' equity at the end of the financial year and multiplied by 100%. As at December 31, 2019, the Group recorded a net cash position and its gearing ratio is zero. Taking into consideration of the Group's current bank balances and cash, together with the credit facilities available and the expected cash flow from operations, it is anticipated that the Company should have adequate financial resources to meet its ongoing operating and development requirements.

### **Net current assets**

As at December 31, 2019, the Group had net current assets of HK\$122.4 million as compared with net current assets of HK\$120.9 million as at December 31, 2018.

### **CONTINGENT LIABILITIES**

As at December 31, 2019, the Group did not have any material contingent liabilities or guarantees.

### **CAPITAL EXPENDITURE AND COMMITMENTS**

The total capital expenditure incurred for the year ended December 31, 2019 was approximately HK\$4.9 million, which was mainly used in purchase of property, plant and equipment and intangible assets. The Group had no material planned capital expenditures and capital commitments as of the end of the year ended December 31, 2019.

### **PLEDGE OF ASSETS**

As of December 31, 2019, the Group had government bond issued by the Canadian government of approximately HK\$1.4 million (December 31, 2018: Nil). The bond is held as a security pledge for the operating permits required under the Quebec Travel Agents Act by the OPC. The interest rate for the bond is 1.8% with a maturity date of March 21, 2023.

### **MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS**

On May 28, 2019, the Company subscribed for the allocated shares at the offer price at \$1.94 per share in the initial public offering on the Stock Exchange of Xinyi Energy Holdings Limited of 7,500,000 shares with total consideration of HK\$14,550,000 (the "**Transaction**"). After due and careful consideration of the information relating to Xinyi Energy Holdings Limited including its business model, financial information and business prospects as set out in the prospectus of Xinyi Energy Holdings Limited, the Company considers that Xinyi Energy Holdings Limited can achieve long-term development and the Transaction is an attractive investment which would generate potential investment returns for the Group.

Save for the above, no other material acquisition and disposal of subsidiaries and affiliated companies were conducted by the Group for the year ended December 31, 2019.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group did not have plans for material investments and capital assets as at December 31, 2019.

## **EVENT AFTER THE REPORTING PERIOD**

In view of the outbreak of the Epidemic, the government of Canada has implemented a number of measures to control the spread of the Epidemic (the “**Epidemic Control Measures**”). The Epidemic and the Epidemic Control Measures are expected to have a significant adverse impact on the business and financial performance of the Group. For details, please refer to the announcement of the Company dated March 27, 2020.

## **FOREIGN EXCHANGE RISKS**

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Canadian dollar, the Group’s functional currency. The Group’s policy requires the management to control the Group’s foreign exchange risk to an acceptable level by ensuring that the Group is able to obtain sufficient amount of USD at acceptable exchange rate for meeting the payment obligations arising from business operations. A net foreign exchange loss of approximately HK\$0.4 million was recorded for the year ended December 31, 2019 and exchange gain of approximately HK\$0.4 million for the year ended December 31, 2018.

During the year ended December 31, 2019, the Group did not engage in any derivatives activities and did not commit to any financial instruments to hedge its exposure to foreign currency risk.

## **EMPLOYEES AND REMUNERATION POLICIES**

As of December 31, 2019, the Group had a total of 167 employees as compared with 136 employees as at December 31, 2018, of which 164 were in Canada and 3 were in the United States of America. The total staff costs incurred by the Group for the year ended December 31, 2019 were HK\$56.0 million as compared with HK\$52.1 million for the year ended December 31, 2018. The Group will regularly review its remuneration policy and the benefits to its employees with reference to market practice and the performance of individual employees.

## **USE OF PROCEEDS FROM THE LISTING**

The shares of the Company were listed on the Stock Exchange on June 28, 2018, with net proceeds received by the Company from the Share Offer in the amount of HK\$49.7 million after deducting underwriting commission and all related listing expenses. The net proceeds received from the Share Offer will be used in the manner consistent with that set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company.

An analysis of the utilization of the net proceeds from the listing date up to December 31, 2019 is set out below:

<b>Use of net proceeds</b>	<b>Net proceeds from the Share Offer HK\$ million</b>	<b>Actual utilization up to December 31, 2019 HK\$ million</b>	<b>Unutilised amounts as at December 31, 2019 HK\$ million</b>
Repayment of bank borrowings	21.5	21.5	—
Expansion of air ticket distribution business	13.4	0.5	12.9
Upgrade the information technology infrastructure	6.7	4.3	2.4
Expansion the travel business process management business	6.9	3.0	3.9
Advertising and promotion	1.2	0.7	0.5
	<u>49.7</u>	<u>30.0</u>	<u>19.7</u>

## **FINAL DIVIDEND**

The Board resolved to recommend the payment of a final dividend of 0.54 HK cents per ordinary share for the year ended December 31, 2019. Dividends paid or credited or deemed to be paid or credited on the ordinary shares to a non-resident shareholder (neither resident nor deemed to be resident in Canada), will be subject to a Canadian non-resident withholding tax at a rate of 25%. For details, please refer to the section headed “Certain Canadian Legal and Regulatory Considerations in Relation to the Share Offer” in the prospectus of the Company dated June 15, 2018. Based on 1,200,000,000 shares in issue as at the date of this announcement, it is expected that the total amount of final dividend payable is HK\$6,480,000 for the year ended December 31, 2019. The final dividend is subject to the approval of the shareholders of the Company (the “**Shareholders**”) at the forthcoming annual general meeting of the Company (the “**AGM**”) and the final dividend will be paid on July 15, 2020 to the Shareholders whose names appear on the register of members of the Company on June 18, 2020 (record date).

## **ANNUAL GENERAL MEETING**

It is proposed that the AGM will be held on June 18, 2020. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

Latest time to lodge transfers documents for registration..... 4:30 p.m. on June 12, 2020

Closure of register of members.....June 15, 2020 to June 18, 2020  
(both days inclusive)

For determining the members' entitlement of the proposed final dividend, the register of members of the Company will be closed during the following period:

Latest time to lodge transfers documents for registration..... 4:30 p.m. on June 26, 2020

Closure of register of members.....June 29, 2020 to July 3, 2020  
(both days inclusive)

For purposes mentioned above, all properly completed transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road North Point, Hong Kong for registrations no later than the aforementioned latest time.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted all applicable code provisions as set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules and has also put in place certain recommended best practices as set out in the CG Code.

The Board is of the opinion that the Company has complied with all applicable code provisions set out in the CG Code during the year ended December 31, 2019 and up to the date of this announcement.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended December 31, 2019.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code of conduct of the Company regarding Directors’ transactions of the listed securities of the Company. The Company has made specific enquiry to all Directors, and all Directors have confirmed that they had complied with the Model Code and its code of conduct from the year ended December 31, 2019 and up to the date of this announcement.

## **AUDIT COMMITTEE**

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) consists of three members, two of whom are independent non-executive Directors, being Mr. Sik Yuen Lau and Dr. Michael Edward Ricco, and one non-executive Director, being Dr. Kwok Chun Dennis Chu. The Audit Committee is chaired by Mr. Sik Yuen Lau. The annual results for the year ended December 31, 2019 of the Company have been reviewed by the Audit Committee. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members and is of the view that the results for the year ended December 31, 2019 are prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended December 31, 2019 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **SCOPE OF WORK OF BDO LIMITED**

The figures in respect of the preliminary announcement of the Group’s results for the year ended December 31, 2019 have been agreed by the Company’s external auditor, BDO Limited (“**BDO**”), to the amounts set forth in the Group’s audited consolidated financial statements for the year. The work performed by BDO in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards

on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO on the preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The annual results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.toureast.com>). The annual report of the Company for the year ended December 31, 2019 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and available on the same websites in due course.

By order of the Board  
**CTEH INC.**  
**Mrs. Rita Pik Fong Tsang**  
*Chairperson and executive Director*

Hong Kong, March 31, 2020

*As at the date of this announcement, the executive Directors are Mrs. Rita Pik Fong Tsang and Ms. Annie Shuk Fong Tsu, the non-executive Director is Dr. Kwok Chun Dennis Chu, and the independent non-executive Directors are Dr. Michael Edward Ricco, Mrs. Kitty Yuk Yee Yeung and Mr. Sik Yuen Lau.*