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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of CTEH INC. (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 together with the unaudited comparative figures for the six months ended 30 June 2020.

	Six months ended 30 June		
	2021	2020	Increase/ (decrease)
	HK\$ million	HK\$ million	
Revenue	13.3	40.1	(66.8%)
Gross profit	4.4	24.6	(82.1%)
(Loss)/Profit for the period	(33.1)	7.3	(553.4%)
Basic and diluted (losses)/earnings per share (HK cents)	(2.8)	0.6	(566.7%)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	13,268	40,097
Cost of sales	6	(8,903)	(15,531)
Gross profit		4,365	24,566
Other income	5	9,656	8,510
Other gains, net	5	30	3,833
Expected credit losses (“ECLs”) allowance on financial assets		(25,871)	—
Selling expenses	6	(3,828)	(6,095)
Administrative expenses	6	(21,169)	(21,922)
Operating (loss)/profit		(36,817)	8,892
Finance income		14	60
Finance costs		(137)	(128)
Finance costs, net	7	(123)	(68)
Share of net (losses)/profit of joint ventures		(59)	645
(Loss)/Profit before income tax		(36,999)	9,469
Income tax credit/(expense)	8	3,913	(2,177)
(Loss)/Profit for the period attributable to owners of the Company		(33,086)	7,292
Other comprehensive income/(loss)			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
– Currency translation differences		1,344	(3,487)
Other comprehensive income/(loss) for the period		1,344	(3,487)
Total comprehensive (loss)/income for the period attributable to owners of the Company		(31,742)	3,805
Basic and diluted (losses)/earnings per share (HK cents)	10	(2.8)	0.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Notes		
Non-current assets			
Property, plant and equipment		3,199	3,940
Intangible assets		1,049	2,027
Right-of-use assets		3,430	3,895
Interests in joint ventures		10,620	10,681
Financial asset at fair value through profit or loss (“FVTPL”)		1,551	1,507
Financial asset at fair value through other comprehensive income (“FVTOCI”)		3,883	3,774
Deferred income tax assets		26,162	22,052
		49,894	47,876
Current assets			
Trade receivables	11	1,284	4,183
Prepayments, deposits and other receivables		39,321	49,206
Financial asset at FVTPL		—	5,876
Income tax recoverable		2,279	2,224
Cash and cash equivalents		40,650	30,095
		83,534	91,584
Total assets		133,428	139,460
EQUITY			
Equity attributable to the owners of the Company			
Share capital	12	120	120
Share premium		88,248	88,248
Other reserve		(41,256)	(41,256)
Financial asset at FVTOCI reserve		668	668
Exchange reserve		8,945	7,601
Retained earnings		25,398	58,484
Total equity		82,123	113,865

		As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
	Note		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		656	638
Lease liabilities		3,104	3,361
Loans from government		4,176	2,666
		<u>7,936</u>	<u>6,665</u>
Current liabilities			
Trade payables	13	285	184
Accruals and other payables		40,759	15,777
Contract liabilities		841	1,359
Lease liabilities		1,484	1,610
		<u>43,369</u>	<u>18,930</u>
Total liabilities		<u>51,305</u>	<u>25,595</u>
Total equity and liabilities		<u>133,428</u>	<u>139,460</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

CTEH Inc. (the “**Company**”) was incorporated in Ontario, Canada on 18 August, 2017 and continued in the Cayman Islands from 20 October, 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 Company and its subsidiaries comprising the Group (together, 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 condensed consolidated interim financial information is presented in Hong Kong dollar (“**HK\$**”) and all values are rounded to the nearest thousand except when otherwise indicated.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”.

The condensed consolidated interim financial information does not include all the notes of the type normally included in an annual financial statement. Accordingly, this announcement should be read in conjunction with the annual financial statements for the year ended 31 December 2020 (“**2020 annual report**”) which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) and any public announcements made by the Group during the interim reporting period.

3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the 2020 annual report and the adoption of new or revised standards as set out below.

3.1 Adoption of new or revised IFRSs

In the current interim period, the Group has applied, for the first time, the following amended IFRSs issued by International Accounting Standards Board (the “IASB”) that are potentially relevant to and effective for the annual period beginning on or after 1 January 2021 for the preparation of the Interim Financial Statements.

Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to IFRS 16	COVID-19 — Related Rent Concessions

The adoption of the above amended IFRSs has no material impact on the Group’s result and financial position for the current or prior periods.

The Group has not early applied any new standards or interpretation that is not yet effective for the current interim period.

3.2 Use of judgements and estimates

In preparing this condensed consolidated interim financial information, the significant judgments made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 annual report.

4 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 six months ended 30 June 2021. 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, share of net (loss)/profit of joint ventures, finance cost, 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.

	Six months ended 30 June 2021 (Unaudited)			
	Air ticket distribution HK\$'000	Travel business process management HK\$'000	Travel products and services HK\$'000	Total HK\$'000
Revenue from external customers	2,989	10,274	5	13,268
Timing of revenue recognition				
At a point in time	<u>2,989</u>	<u>10,274</u>	<u>5</u>	<u>13,268</u>
Segment results	32	5,133	3	5,168
Other income				830
Other gains, net				30
ECLs allowance on financial assets				(25,871)
Administrative expenses				(16,974)
Finance cost, net				(123)
Share of net losses of joint ventures				(59)
Loss before income tax				(36,999)
Income tax credit				3,913
Loss for the period				<u><u>(33,086)</u></u>
Other segment items:				
Depreciation and amortisation	543	974	—	1,517
Capital expenditure	38	71	—	109
Depreciation of right-of-use assets	<u>294</u>	<u>531</u>	<u>—</u>	<u>1,088</u>

Six months ended 30 June 2020 (Unaudited)

	Air ticket distribution HK\$'000	Travel business process management HK\$'000	Travel products and services HK\$'000	Total HK\$'000
Revenue from external customers	20,113	18,605	1,379	40,097
Timing of revenue recognition				
At a point in time	20,113	18,605	20	38,738
Over the time	—	—	1,359	1,359
	<u>20,113</u>	<u>18,605</u>	<u>1,379</u>	<u>40,097</u>
Segment results	5,550	6,011	362	11,923
Other income				8,510
Other gains, net				3,833
Administrative expenses				(15,374)
Finance cost, net				(68)
Share of net profit of joint ventures				645
Profit before income tax				9,469
Income tax expense				(2,177)
Profit for the period				<u>7,292</u>
Other segment items:				
Depreciation and amortisation	599	1,025	334	1,958
Capital expenditure	158	270	87	515
Depreciation of right-of-use assets	333	570	185	1,088

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Company A - travel business process management segment	5,428	8,447
Company B - travel business process management segment	3,265	9,870

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:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Canada	13,013	33,474
United States	255	6,623
	13,268	40,097

5 OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Other income		
Subsidies (Note)	9,649	7,872
Dividends income	7	638
	<u>9,656</u>	<u>8,510</u>
Other gains, net		
Foreign exchange (loss)/gain	(149)	758
Gain on disposal of financial assets at FVTPL	179	—
Fair value change in financial assets at FVTPL	—	3,075
	<u>30</u>	<u>3,833</u>

Note: It mainly represents grants received in relation to wage subsidies from Canada Emergency Wage Subsidy Program. There are no unfulfilled conditions or contingencies relating to these grants.

6 EXPENSES BY NATURE

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of packaged tours and tickets	—	669
Employee benefit expenses (including directors' emoluments)	21,169	29,445
Office, telecommunication and utility expenses	1,842	2,225
Depreciation of right-of-use assets	1,125	1,392
Advertising and promotion	4	175
Credit card fees	13	260
Auditor's remuneration		
– Audit service	750	873
– Non-audit service	342	—
Depreciation of property, plant and equipment	1,021	1,062
Amortisation of intangible assets	1,039	1,437
Legal and professional fees	4,210	1,105
Service fees	681	2,183
Others	1,704	2,722
	<hr/>	<hr/>
Total cost of sales, selling and administrative expenses	33,900	43,548
	<hr/> <hr/>	<hr/> <hr/>

7 FINANCE (COST)/INCOME, NET

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Finance income		
– Interest income	14	60
Finance costs		
– Interest expense on lease liabilities	(90)	(128)
– Imputed interest expense on loan from government	(47)	—
	(137)	(128)
Finance (costs)/income, net	(123)	(68)

8 INCOME TAX CREDIT/(EXPENSE)

Canadian corporate income tax has been provided at the rate of 26.5% for the six months ended 30 June 2021 (2020: 26.5%) on the Group's respective taxable income. United States federal income tax has been provided at the rate of 21% for the six months ended 30 June 2021 (2020: 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 six months ended 30 June 2021 (2020: 11.8%).

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Canadian corporate income tax	—	(947)
– United States federal and state income tax	—	(212)
Deferred income tax	3,913	(1,018)
Income tax credit/(expense)	3,913	(2,177)

9 DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021 (Six months ended 30 June 2020: Nil).

A dividend of HK\$6,480,000 in respect of the year ended 31 December 2019 was declared and subsequently paid in July 2020.

10 (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods.

	Six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
(Loss)/profit attributable to owners of the Company (HK\$'000)	<u>(33,086)</u>	<u>7,292</u>
Weighted average number of ordinary shares in issue (Number of shares in thousand)	<u>1,200,000</u>	<u>1,200,000</u>
Basic and diluted (losses)/earnings per share (HK cents)	<u><u>(2.8)</u></u>	<u><u>0.6</u></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. During the six months ended 30 June 2021 and 2020, the Group has no dilutive potential ordinary shares.

11 TRADE RECEIVABLES

	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Incentive commission receivables	1,604	3,620
Less: ECLs allowance	(1,532)	(520)
	<u>72</u>	<u>3,100</u>
Other trade receivables	1,963	1,193
Less: ECLs allowance	(751)	(110)
	<u>1,212</u>	<u>1,083</u>
	<u><u>1,284</u></u>	<u><u>4,183</u></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 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
0 to 60 days	998	3,838
Over 60 days	286	345
	<u>1,284</u>	<u>4,183</u>

12 SHARE CAPITAL

	Number of ordinary shares (’000)	Nominal value of ordinary shares HK\$’000
Authorised:		
Ordinary shares of HK\$0.0001 each		
As at 1 January 2020, 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>90,000,000</u>	<u>9,000</u>
Issued and fully paid:		
As at 1 January 2020, 31 December 2020 (audited) and 30 June 2021 (unaudited)	<u>1,200,000</u>	<u>120</u>

13 TRADE PAYABLES

As at 30 June 2021 and 31 December 2020, the aging analysis of trade payables based on invoice date are as follows:

	As at 30 June 2021 HK\$’000 (Unaudited)	As at 31 December 2020 HK\$’000 (Audited)
0 to 30 days	31	33
31 to 60 days	16	5
Over 60 days	<u>238</u>	<u>146</u>
	<u>285</u>	<u>184</u>

14 BANKING FACILITIES

As at 30 June 2021, the Group had banking facilities which are secured by a guarantee from a Canadian Crown corporation, an enterprise wholly-owned by the Government of Canada, in the amount of HK\$7,686,000 (31 December 2020: HK\$7,805,000).

The Group did not draw down any borrowing from the banking facilities and was in compliance with all banking covenants as at 30 June 2021 and 31 December 2020.

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.

The Group's performance in the first half of 2021 continued to be impacted by the ongoing pandemic of the coronavirus disease 2019 ("COVID-19"). These uncertainties negatively affected the Group's performance which led to a significant decrease in revenue and gross profit. The total revenue of the Group decreased by approximately 66.8% from approximately HK\$40.1 million for the six months ended 30 June 2020 to approximately HK\$13.3 million for the six months ended 30 June 2021, which was mainly due to the lower revenue generated from air ticket distribution and travel business process management segments. The gross profit decreased by approximately HK\$20.2 million or approximately 82.1%, from approximately HK\$24.6 million for the six months ended 30 June 2020 to approximately HK\$4.4 million for the six months ended 30 June 2021. The overall gross profit margin decreased by approximately 28.4% from approximately 61.3% for the six months ended 30 June 2020 to approximately 32.9% for the six months ended 30 June 2021, which was mainly due to the decrease in the gross profit margin of air ticket distribution segment and travel business process management segment. In the first half of 2021, the Group continued to explore new business opportunities derived from COVID-19. The Group engaged a new customer in the travel business process management business segment, providing customer contact service to traveler for information in relation to COVID-19. The Group also continued to expand its travel business process management business and engaged another new customer during the six months ended 30 June 2021.

Air Ticket Distribution

The Group's air ticket distribution business segment has been impacted by the COVID-19 pandemic since 2020. Segment revenue dropped by approximately 85.1% or approximately HK\$17.1 million from approximately HK\$20.1 million for the six months ended 30 June 2020, to approximately HK\$3.0 million for the six months ended 30 June 2021. Such decrease was mainly attributable to the decrease in transaction volume of air tickets sales and gross sales proceeds generated from air tickets sales, primarily due to the decline in international travel caused by travel restrictions imposed by countries where the Group was based in and across the world in response to the COVID-19 pandemic. 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 30 June 2021, 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 decreased by approximately 44.6%, from approximately HK\$18.6 million for the six months ended 30 June 2020, to approximately HK\$10.3 million for the six months ended 30 June 2021. Such decrease was mainly attributable to the decrease in transaction volume as a result of declining international travel due to the COVID-19 pandemic and travel restrictions across the world. 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 six months ended 30 June 2021, the Group had been providing travel business process management services to nine customers including some well-known global brands.

Travel Products and Services

The Group has suspended the provision of its outbound package tours from the second half of 2020 due to the COVID-19 pandemic and travel restrictions across the world. Therefore, minimal segment revenue from travel products and services was recorded for the six months ended 30 June 2021.

FUTURE PROSPECT

It is expected that the COVID-19 pandemic would continue to impact the airline, travel and tourism industry worldwide for the remainder of the year. A series of measures have been adopted by the Group to control costs and to enhance cash flow and operational efficiency, including (i) the implementation of salary reduction on the part of the Directors and senior management of the Group; (ii) application for the Canada Emergency Wage Subsidy program; (iii) application for the Canada Emergency Rent Subsidy program; and (iv) streamlining of workflow. The situation relating to the spread and containment of the COVID-19 pandemic remains uncertain and fluid, and the Group will closely monitor the trend of the global environment and maintain a pragmatic approach for its businesses.

FINANCIAL REVIEW

REVENUE

The following table sets forth the components of the Group's revenue by business segment for the periods indicated:

	For the six months ended 30 June			
	2021		2020	
	HK\$'000	%	HK\$'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Air ticket distribution	2,989	22.5%	20,113	50.2%
Travel business process management	10,274	77.4%	18,605	46.4%
Travel products and services	5	0.1%	1,379	3.4%
Total	<u>13,268</u>	<u>100.0%</u>	<u>40,097</u>	<u>100.0%</u>

The Group's revenue decreased by approximately HK\$26.8 million or approximately 66.8%, from approximately HK\$40.1 million for the six months ended 30 June 2020 to approximately HK\$13.3 million for the six months ended 30 June 2021. Such decrease was mainly attributable to the lower revenue generated from air ticket distribution segment and travel business process management segment.

Air Ticket Distribution

The revenue from air ticket distribution segment decreased by approximately HK\$17.1 million, or approximately 85.1%, from approximately HK\$20.1 million for the six months ended 30 June 2020, to approximately HK\$3.0 million for the six months ended 30 June 2021. 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 due to the COVID-19 pandemic and travel restrictions such as entry restrictions, visa suspensions and quarantine measures imposed by countries where the Group was based in and across the world.

Travel Business Process Management

The revenue from travel business process management segment decreased by approximately HK\$8.3 million or approximately 44.6%, from approximately HK\$18.6 million for the six months ended 30 June 2020, to approximately HK\$10.3 million for the six months ended 30 June 2021. Such decrease was mainly attributable to the decrease in transaction volume as a result of declining international travel due to the COVID-19 pandemic and travel restrictions across the world.

Travel Products and Services

Minimal revenue from travel products and services was recorded for the six months ended 30 June 2021, which was mainly attributable to the cancellation or suspension of package tours due to the COVID-19 pandemic and travel restrictions across the world.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the gross profit and gross profit margin of the Group's business segments:

	For the six months ended 30 June			
	2021		2020	
	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin
	HK\$'000	%	HK\$'000	%
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Air ticket distribution	406	13.6%	14,055	69.9%
Travel business process management	3,954	38.5%	9,801	52.7%
Travel products and services	5	100%	710	51.5%
Total	4,365	32.9%	24,566	61.3%

The gross profit of the Group decreased by approximately HK\$20.2 million or approximately 82.1%, from approximately HK\$24.6 million for the six months ended 30 June 2020 to approximately HK\$4.4 million for the six months ended 30 June 2021.

The overall gross profit margin of the Group decreased by approximately 28.4%, from approximately 61.3% for the six months ended 30 June 2020 to approximately 32.9% for the six months ended 30 June 2021, which was primarily attributable to the decrease in the gross profit margin in the air ticket distribution segment and the travel business process management segment.

Air Ticket Distribution

The gross profit attributable to the air ticket distribution segment decreased by approximately HK\$13.7 million or approximately 97.2%, from approximately HK\$14.1 million for the six months ended 30 June 2020 to approximately HK\$0.4 million for the six months ended 30 June 2021, which was in line with the decrease in the transaction volume of air tickets sales and the corresponding decrease in gross sales proceeds as a result of declining international travel due to the COVID-19 pandemic. The gross profit margin for the air ticket distribution segment decreased by approximately 56.3% from approximately 69.9% for the six months ended 30 June 2020 to approximately 13.6% for the six months ended 30 June 2021, which was primarily attributable to a greater proportional decrease in the business segment revenue than in the business segment cost of sales.

Travel Business Process Management

The gross profit attributable to the travel business process management segment decreased by approximately HK\$5.8 million or approximately 59.2%, from approximately HK\$9.8 million for the six months ended 30 June 2020 to approximately HK\$4.0 million for the six months ended 30 June 2021. The gross profit margin for the travel business process management segment decreased by approximately 14.2% from approximately 52.7% for the six months ended 30 June 2020 to approximately 38.5% for the six months ended 30 June 2021, which was mainly due to the combined effect of (i) the decrease in revenue generated from transaction processing which has higher gross profit margin in general; and (ii) the lower gross profit margin for new customers that were in startup stage.

Travel Products and Services

The gross profit attributable to the travel products and services segment decreased by approximately HK\$0.7 million or approximately 99.3%, from approximately HK\$0.7 million for the six months ended 30 June 2020, to approximately HK\$5,000 for the six months ended 30 June 2021. The gross profit margin for the travel products and services segment increased by approximately 48.5% from approximately 51.5% for the six months ended 30 June 2020 to approximately 100.0% for the six months ended 30 June 2021, which was mainly due to the cancellation or suspension of package tours due to the COVID-19 pandemic and travel restrictions across the world.

Selling Expenses

The selling expenses decreased by approximately HK\$2.3 million or approximately 37.7%, from approximately HK\$6.1 million for the six months ended 30 June 2020 to approximately HK\$3.8 million for the six months ended 30 June 2021, which was mainly due to the temporary closure of the Group's retail branches in Canada by the order of the Canadian government to close non-essential businesses in Ontario and Quebec since March 2020.

Administrative Expenses

The administrative expenses slightly decreased by approximately HK\$0.7 million or approximately 3.2%, from approximately HK\$21.9 million for the six months ended 30 June 2020 to approximately HK\$21.2 million for the six months ended 30 June 2021, which was mainly due to the implementation of salary reduction on the part of the Directors and senior management of the Group in response to the COVID-19 pandemic.

Loss for the period

The Group recognised net loss of approximately HK\$33.1 million for the six months ended 30 June 2021 as opposed to the net profit of approximately HK\$7.3 million for the six months ended 30 June 2020. Such turnaround was mainly attributable to the following:

- the decrease in the Group's gross profit by approximately HK\$20.2 million or approximately 82.1%, from approximately HK\$24.6 million for the six months ended 30 June 2020 to approximately HK\$4.4 million for the six months ended 30 June 2021 as discussed in the sub-section headed "Gross Profit and Gross Profit Margin" above; and
- the increase in expected credit losses allowance of approximately HK\$25.9 million made in accordance with International Financial Reporting Standard 9 to certain financial assets in light of the unfavourable market condition caused by the sustained outbreak of COVID-19 which resulted to a significant increase in receivables overdue more than 90 days;

partially offset by the following:

- the decrease in selling expenses by approximately HK\$2.3 million or approximately 37.7%, from approximately HK\$6.1 million for the six months ended 30 June 2020 to approximately HK\$3.8 million for the six months ended 30 June 2021 as discussed in the sub-section headed "Selling Expenses" above.

FINANCIAL RESOURCES AND LIQUIDITY

During the six months ended 30 June 2021, 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 generated from operating activities was approximately HK\$3.4 million for the six months ended 30 June 2021, as compared to the net cash used in operating activities of approximately HK\$14.7 million for the six months ended 30 June 2020. Net cash generated from investing activities was approximately HK\$5.9 million for the six months ended 30 June 2021, as compared to the net cash generated from investing activities of approximately HK\$44,000 for the six months ended 30 June 2020. Net cash generated from financing activities for the six months ended 30 June 2021 was approximately HK\$0.5 million, as compared to the net cash generated from financing activities of approximately HK\$1.2 million for the six months ended 30 June 2020.

As at 30 June 2021, the Group's cash and cash equivalents amounted to approximately HK\$40.7 million, representing an increase of approximately 35.2% from approximately HK\$30.1 million as at 31 December 2020.

The Group's gearing ratio is calculated based on total loans divided by the shareholders' equity at the end of the financial year/period and multiplied by 100%. The Group's gearing ratio increased by approximately 2.8% from approximately 2.3% as at 31 December 2020 to approximately 5.1% as at 30 June 2021. Such increase was mainly due to the increase in loans from government of approximately HK\$1.5 million as at 30 June 2021 as compared to 31 December 2020, and the decrease in equity of approximately HK\$31.7 million as at 30 June 2021 as compared to 31 December 2020, primarily due to the net loss recognised for the six months ended 30 June 2021. Taking into consideration the Group's current cash and bank balances, together with the credit facilities available and the expected cash flow from operations, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Net current assets

As at 30 June 2021, the Group had net current assets of approximately HK\$40.1 million as compared to the net current assets of approximately HK\$72.7 million as at 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

Immediately following the change in controlling shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”)) of the Company on 10 June 2021, an unconditional mandatory cash offer for the acquisition of all the issued shares of the Company (other than those owned and/or agreed to be acquired by the new controlling shareholders and parties acting in concert with them) had been made on the same date, and such unconditional mandatory cash offer had closed on 19 July 2021. As at 19 July 2021, immediately following the close of the unconditional mandatory cash offer, the controlling shareholders of the Company and parties acting in concert with them were interested in an aggregate of 938,850,000 shares of the Company, representing approximately 78.24% of the issued share capital of the Company as at 19 July 2021, and hence the minimum public float requirement as set out under Rule 8.08(1) of the Listing Rules was not satisfied. As such, the Company has applied for and the Stock Exchange has granted a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of two calendar months commencing from 19 July 2021. For further details of the change in controlling shareholders of the Company and the said unconditional mandatory cash offer, please refer to the section headed “Change in Controlling Shareholders” below. Furthermore, there was also a change in the composition of the Board and the Board committees on 19 July 2021 following the close of the unconditional mandatory cash offer. Please refer to the section headed “Change of Composition of the Board and its Tax Implication” below for further details.

In addition, on 13 August 2021, the Board announced that it proposed to change the English name of the Company from “CTEH INC.” to “Cinese International Group Holdings Limited” and the new dual foreign name of the Company in Chinese “富盈環球集團控股有限公司” will be adopted to replace “加達控股有限公司”. An extraordinary general meeting of the Company will be convened and held for the shareholders of the Company to consider the proposed change of name. For details, please refer to the announcement of the Company dated 13 August 2021 and the circular of the Company dated 23 August 2021.

FOREIGN EXCHANGE RISKS

The Group has foreign currency exposures that mainly arise from the balance of assets and liabilities in currencies other than in Hong Kong 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 and Canadian dollar at acceptable exchange rate for meeting the payment obligations arising from business operations. A net foreign exchange loss of approximately HK\$0.1 million was recorded for the six months ended 30 June 2021, whereas a net foreign exchange gain of approximately HK\$0.8 million was recorded for the six months ended 30 June 2020.

During the six months ended 30 June 2021, 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 at 30 June 2021, the Group had a total of 110 employees as compared with 127 employees as at 31 December 2020, of which 109 were in Canada and one was in the United States of America. The total staff costs incurred by the Group for the six months ended 30 June 2021 were approximately HK\$21.2 million as compared to approximately HK\$29.4 million for the six months ended 30 June 2020. 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.

MATERIAL ACQUISITIONS AND DISPOSALS AND SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2021, no material acquisition and disposal of subsidiaries, associates or joint ventures, or significant investments were conducted by the Group.

PLEDGE OF ASSETS

As of 30 June 2021, the Group had government bond issued by the Canadian government of approximately HK\$1.6 million (31 December 2020: HK\$1.5 million). 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 21 March 2023.

CHANGE IN CONTROLLING SHAREHOLDERS

On 6 June 2021, the Company and Tomorrow Education Technology Limited (“**Tomorrow Education**” or the “**Offeror**”) jointly announced that BVRTH Inc. (beneficially and wholly-owned by Rita Tsang Group Holdings Inc., which is in turn controlled by Mrs. Rita Pik Fong Tsang (“**Mrs. Tsang**”), BVATH Inc. (indirectly wholly-owned by Ms. Annie Shuk Fong Tsu (“**Ms. Tsu**”), BVDCH Inc. (indirectly wholly-owned by Dr. Kwok Chun Dennis Chu (“**Dr. Chu**”)) (collectively, as the “**Vendors**”), Mrs. Tsang and Rita Tsang Group Holdings Inc. (as the warrantors of BVRTH Inc.), Ms. Tsu and AT Horizons Holdings Inc. (as the warrantors of BVATH Inc.), Dr. Chu and Dennis Chu Holdings Inc. (as the warrantors of BVDCH Inc.) and Tomorrow Education entered into a sale and purchase agreement on 5 June 2021 (the “**Sales and Purchase Agreement**”) pursuant to which the Offeror as the purchaser agreed to acquire

from the Vendors as the sellers, an aggregate of 900,000,000 ordinary shares of the Company (the “**Sale Shares**”) for a total consideration of HK\$205 million (the “**Sale and Purchase**”), equivalent to approximately HK\$0.2278 per Sale Share, which was agreed between the Vendors and the Offeror after arm’s length negotiations. The Sale Shares represent 75.0% of the total issued share capital of the Company as at 6 June 2021.

The completion of the Sale and Purchase (the “**Completion**”) took place on 10 June 2021. Immediately after the Completion, CCB International Capital Limited, the financial adviser to Tomorrow Education, had made an unconditional mandatory cash offer for and on behalf of Tomorrow Education pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”) to acquire all the issued shares of the Company (other than those owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) (the “**Share Offer**”). On 19 July 2021, immediately after the close of the Share Offer, the Offeror and parties acting in concert with it were interested in an aggregate of 938,850,000 shares of the Company, representing approximately 78.24% of the issued share capital of the Company as at 19 July 2021.

Accordingly, the minimum public float requirement of 25% as set out under Rule 8.08(1) of the Listing Rules is not satisfied. The Stock Exchange has granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of two (2) calendar months commencing from the close of the Share Offer.

Details of the Sale and Purchase and the Share Offer are set out in the announcements jointly issued by the Company and the Offeror dated 6 June 2021, 10 June 2021, 18 June 2021, 28 June 2021, 29 June 2021, 19 July 2021 and 27 July 2021, as well as the composite document and the accompanying form of acceptance and transfer jointly issued by the Offeror and the Company dated 28 June 2021.

CHANGE OF COMPOSITION OF THE BOARD AND ITS TAX IMPLICATION

The composition of the Board and the Board committees has been changed on 19 July 2021 as a result of the change in control of the Company. After the change of the composition of the Board, more than 50% of the Board consists of non-Canadian Directors, and therefore the Company is generally considered as a non-resident of Canada for the purposes of the Income Tax Act, R.S.C. 1985, c. 1 (5th Supplement) as the Company’s “mind and management” is outside Canada. As a result, certain adverse “departure taxes” implication arose. Based on the information currently available, the Departure and Deemed Disposition Taxes are estimated to be at or around HK\$27.3 million. For details of the tax implication in relation to the change of Directors, please refer to the announcement jointly issued by the Company and the Offeror dated 6 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities or guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have plans for material investments and capital assets as at 30 June 2021.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on 28 June 2018, with net proceeds received by the Company from the share offer in the amount of approximately 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 dated 15 June 2018 (the “**Prospectus**”).

An analysis of the utilisation of the net proceeds from the listing date up to 30 June 2021 is set out below:

	Net proceeds from the share offer HK\$ million	Actual utilisation up to 30 June 2021 HK\$ million	Unutilised amounts as at 30 June 2021 HK\$ million	Expected year of full utilisation of remaining balance
Use of net proceeds				
Repayment of bank borrowings	21.5	21.5	—	—
Expansion of air ticket distribution business	13.4	1.0	12.4	2022
Upgrade the information technology infrastructure	6.7	4.8	1.9	2021
Expansion the travel business process management business	6.9	6.9	—	—
Advertising and promotion	1.2	0.9	0.3	2021
	<u>49.7</u>	<u>35.1</u>	<u>14.6</u>	

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 7 May 2018 (the “**Share Option Scheme**”). The Share Option Scheme is designed to motivate eligible participants, including executives and key employees, who may make a contribution to the Group, and enables the Group to attract and retain individuals with experience and ability and to reward them for their contributions. Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options had been granted, exercised, lapsed or cancelled under the Share Option Scheme. For the details of the Share Option Scheme, please refer to the Prospectus.

INTERIM DIVIDENDS

The Board resolved not to declare any payment of interim dividend for the six months ended 30 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2021 except the following deviation:

Code Provision A.2.1

Code Provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

As Ms. Kou Chung Yin Mariana was appointed as both the chairperson and the chief executive officer of the Company on 19 July 2021 after the close of the Share Offer, such practice deviates from the Code Provision A.2.1 of the CG Code. The Board believes that vesting the roles of both the chairperson and the chief executive officer in the same person can facilitate the execution of the Group’s business strategies and boost the effectiveness of its operation. Therefore, the Board considers that the deviation from the Code Provision A.2.1 of the CG Code is appropriate in such circumstances.

In addition, under the supervision of the Board which is now comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and the Shareholders as a whole.

The Board will continue to review and monitor the corporate governance status of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”). The Company has made specific enquiries to all Directors, and all Directors have confirmed that they have complied with the Model Code and its code of conduct during the six months ended 30 June 2021 and up to the date of this announcement.

The Board has also adopted the Model Code as the guidelines for its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the securities of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Company has established an audit committee on 7 May 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and Code Provision C.3 of the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to assist the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the policies and to perform other duties and responsibilities as assigned by the Board. It also acts as an important link between the Board and the Company’s auditor in matters within the scope of the group audit. Meetings of the audit committee shall be held at least twice a year. Following the change of composition of the Board and Board committees on 19 July 2021 as disclosed above, the audit committee currently consists of three independent non-executive Directors, namely Ms. Kwan Ka Yee, Mr. Fong Wai Bun Benny and Ms. Suen Yin Wah Chloe, with Ms. Kwan Ka Yee serving as the chairperson.

The unaudited interim results and financial report of the Group for the six months ended 30 June 2021 has been reviewed by the audit committee and the audit committee is of the view that the interim result for the six months ended 30 June 2021 is 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 six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of both the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.toueast.com>). An interim report of the Company for the period ended 30 June 2021 containing all the information required under the Listing Rules will be dispatched to the shareholders of the Company and available on the aforementioned websites in due course.

By order of the Board
CTEH INC.

Ms. Kou Chung Yin Mariana
Chairperson and executive Director

Hong Kong, 31 August 2021

As at the date of this announcement, the executive Directors are Mr. Liu Xue Bin and Ms. Kou Chung Yin Mariana, the non-executive Director is Mr. Liu Jiefeng, and the independent non-executive Directors are Mr. Fong Wai Bun Benny, Ms. Suen Yin Wah Chloe and Ms. Kwan Ka Yee.