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 REPORT
2018

CONTENTS

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2018 HK$ million	2017 HK$ million	Increase/ (decrease)
Revenue	**149.2**	153.9	(3.1%)
Gross profit	**103.7**	98.1	5.7%
Profit for the year	**11.1**	12.4	(10.5%)
Adjusted profit for the year (note)	**24.4**	26.8	(9.0%)
Basic and diluted earnings per share (HK cents)	**1.1**	1.4	(21.4%)
Proposed final dividend per share (HK cents)	**0.46**	—	N/A

Note: Adjusted profit for the year refers to profit for the year 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 years.

Financial Position	**As at December 31, 2018 HK$ million**	As at December 31, 2017 HK$ million	Increase/ (decrease)
Total assets	**269.1**	197.4	36.3%
Total bank borrowings	**—**	37.2	N/A
Shareholders' equity	**160.9**	64.7	148.7%
Current ratio and quick ratio (times)	**2.1**	1.4	50.0%
Gearing ratio (%)	**—**	57.6%	N/A

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mrs. Rita Pik Fong Tsang *(Chairperson)*
Ms. Annie Shuk Fong Tsu
(Chief Executive Officer)

Non-executive Director

Dr. Kwok Chun Dennis Chu

Independent Non-executive Directors

Dr. Michael Edward Ricco
Mrs. Kitty Yuk-Yee Yeung
Mr. Sik Yuen Lau

AUDIT COMMITTEE

Mr. Sik Yuen Lau *(Chairman)*
Dr. Michael Edward Ricco
Dr. Kwok Chun Dennis Chu

REMUNERATION COMMITTEE

Dr. Michael Edward Ricco *(Chairman)*
Mrs. Kitty Yuk-Yee Yeung
Mr. Sik Yuen Lau
Dr. Kwok Chun Dennis Chu

NOMINATION COMMITTEE

Mrs. Rita Pik Fong Tsang *(Chairperson)*
Mrs. Kitty Yuk-Yee Yeung
Dr. Michael Edward Ricco

COMPANY SECRETARY

Mr. Kai Yu Chow *(HKICPA)*

AUTHORISED REPRESENTATIVES

Ms. Annie Shuk Fong Tsu
Mr. Kai Yu Chow

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
PO Box 10240
Grand Cayman, KY1-1002
Cayman Islands

HEADQUARTERS AND PLACE OF BUSINESS IN CANADA

15 Kern Road
Toronto, Ontario
Canada M3B 1S9

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31st Floor, 148 Electric Road
North Point
Hong Kong

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
2103B, 21st Floor, 148 Electric Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
PO Box 10240
Grand Cayman
KY1-1002
Cayman Islands

AUDITOR

PricewaterhouseCoopers LLP

LEGAL ADVISER AS TO HONG KONG LAW

Sidley Austin

COMPLIANCE ADVISER

Lego Corporate Finance Limited

PRINCIPAL BANKERS

HSBC Bank Canada
Industrial and Commercial Bank of China (Asia) Limited

STOCK CODE

1620

WEBSITE

www.toureast.com

CHAIRPERSON'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of CTEH INC. (the "**Company**"), I am pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended December 31, 2018 (the "**Year**").

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.

2018 was a crucial year to the business development of the Group. The shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of international offering and the Hong Kong public offering (collectively, the "**Share Offer**") on June 28, 2018 (the "**Listing Date**"). The listing has marked a milestone for the Group and has opened up brand-new opportunities for its future growth. A public listing status will also improve the Group's capital strength, raise its corporate profile as well as enhance its competitive edge.

The Group's performance was fair considering some challenges across its business segments in 2018. The total revenue of the Group decreased by approximately 3.1%, from HK$153.9 million in 2017 to HK$149.2 million in 2018, which was mainly due to lower revenue generated from travel business process management segment and travel products and services segment. Excluding the non-recurring listing expenses and deferred income tax impact, the Group's adjusted profit for the year decreased by approximately 9.0%, from HK$26.8 million in 2017 to HK$24.4 million in 2018, which was mainly attributable to a fair value loss of HK$2.7 million recorded on the investment in the shares of the JV Company.

Air Ticket Distribution

Air ticket distribution business segment continued to be the largest revenue contributor of the Group. Segment revenue was up by approximately 1.8%, from HK$92.9 million in 2017 to HK$94.6 million in 2018, and accounted for approximately 63.4% of the total revenue of the Group. 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, 2018, 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 11.1%, from HK$28.8 million in 2017 to HK$25.6 million in 2018, and accounted for approximately 17.1% of the total revenue of the Group. Such decrease was mainly due to the cease of provision of travel business process management services to a customer in 2017. 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, 2018, 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 9.9%, from HK$32.2 million in 2017 to HK$29.0 million in 2018, and accounted for approximately 19.5% of the total revenue of the Group. Such decrease was mainly due to decreased sales volume of package tours.

Other Business Development

On October 25, 2018, CTEH Ventures Limited (the "**CTEH Ventures**"), a wholly-owned subsidiary of the Company, and WWPKG Management Company Limited ("**WWPKG Management**") entered into a JV agreement (the "**JV agreement**") in relation to the subscription of shares of Triplabs (BVI) Company Limited (the "**JV Company**"). For details, please refer to the announcement of the Company dated October 25, 2018.

As at December 31, 2018, the JV Company had investments in startup companies that engaged in tourism and travel technology related businesses including (i) travel metasearch engines for flight tickets; (ii) data-centric advertising solutions; (iii) vacation photography booking platform; (iv) property standardisation and management system for budget and midscale hotels and guest houses; and (v) artificial intelligence powered influencer marketing program. Through operating the JV Company, the management expects to expand the scope of business to tourism and travel technology and other businesses closely related to the Group's core businesses, so as to enhance its future earning capability and potential.

DIVIDENDS

The Board recommends payment of a final dividend of 0.46 HK cents per share for the year ended December 31, 2018. The proposed final dividend will be payable on June 25, 2019, following the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company (the "**AGM**"), to those persons registered as shareholders of the Company on June 11, 2019, being the record date for determining shareholders' entitlement to the proposed final dividend.

CHAIRPERSON'S STATEMENT

FUTURE PROSPECT

The Group will continue to execute its business strategy to strengthen the position as a well-established air ticket consolidator, travel business process management provider and travel products and services provider in North America and create long-term shareholder value.

Air Ticket Distribution

Air ticket consolidators will pay more attention to technological developments and make more use of technologies such as e-commerce and big data for business development and management. The Group will continue to expand its air ticket distribution business segment by (i) developing tailor-made booking platforms and mobile booking applications in simplified and traditional Chinese for ethnic agencies; (ii) setting up customer services for Mandarin and Cantonese speaking travel agents to support the operational needs of new booking platforms; (iii) opening two regional offices to conduct sales and marketing activities to attract new customers; and (iv) upgrading the website to include online air ticket booking function and develop mobile booking applications for travelers.

Travel Business Process Management

With increasing business volumes and diversified business processes, travel business process management providers will need to employ additional technological tools such as advanced software and automation to effectively analyze data and improve the efficiency and accuracy of their services. The Group plans to purchase service level management software for productivity management and measurement, which will help it to optimize internal resources, access the overall efficiency and enhance its competitiveness in this business segment.

Travel Products and Services

Customized travel products are expected to continue to be increasingly popular in North America, as they are designed to better accommodate to customers' special requirements and minimize the burden of the end-customers. The Group will continue to roll out customized travel products to cater to travelers' needs.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, employees and other business partners of the Group for their continuous support.

On behalf of the Board

Mrs. Rita Pik Fong Tsang
CTEH INC.
Chairperson and executive Director

Hong Kong, March 28, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

REVENUE

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

	Year ended December 31,			
	2018		2017	
	HK$'000	**%**	HK$'000	%
Air ticket distribution	**94,598**	**63.40%**	92,863	60.40%
Travel business process management	**25,562**	**17.10%**	28,849	18.70%
Travel products and services	**29,021**	**19.50%**	32,150	20.90%
Total	**149,181**	**100.0%**	153,862	100.0%

The Group's revenue decreased by HK$4.7 million or approximately 3.1%, from HK$153.9 million for the year ended December 31, 2017 to HK$149.2 million for the year ended December 31, 2018. Such decrease was mainly attributable to lower revenue generated from travel business process management segment and travel products and services segment, mitigated by the higher revenue from air ticket distribution segment.

Air Ticket Distribution

The revenue from air ticket distribution segment increased by HK$1.7 million, or approximately 1.8%, from HK$92.9 million for the year ended December 31, 2017 to HK$94.6 million for the year ended December 31, 2018. Such increase was mainly attributable to the growth in the transaction volume and gross sales proceeds of selling air tickets.

Travel Business Process Management

The revenue from travel business process management segment decreased by HK$3.2 million or approximately 11.1%, from HK$28.8 million for the year ended December 31, 2017 to HK$25.6 million for the year ended December 31, 2018. Such decrease was mainly attributable to the cease of provision of travel business process management service to a customer in 2017, mitigated by increased services volume and level in respect of the transaction processing services for the existing customers.

Travel Products and Services

The revenue from travel products and services segment decreased by HK$3.2 million or approximately 9.9%, from HK$32.2 million for the year ended December 31, 2017 to HK$29.0 million for the year ended December 31, 2018. 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 revenue by business segment:

	For the year ended December 31,			
	2018		2017	
	Gross profit HK$'000	Gross profit margin %	Gross profit HK$'000	Gross profit margin %
Air ticket distribution	**79,406**	**83.9**	70,332	75.7
Travel business process management	**18,222**	**71.3**	20,837	72.2
Travel products and services	**6,060**	**20.9**	6,979	21.7
Total	**103,688**	**69.5**	98,148	63.8

The gross profit increased by HK$5.6 million or approximately 5.7%, from HK$98.1 million for the year ended December 31, 2017 to HK$103.7 million for the year ended December 31, 2018.

The gross profit margin increased by approximately 5.7%, from approximately 63.8% for the year ended December 31, 2017 to approximately 69.5% for the year ended December 31, 2018. Such increase was primarily attributable to the increasingly higher portion of the revenue from air ticket distribution segment in 2018 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 increased by HK$9.1 million, or approximately 12.9%, from HK$70.3 million for the year ended December 31, 2017 to HK$79.4 million for the year ended December 31, 2018. The gross profit margin for air ticket distribution segment increased by approximately 8.2% from approximately 75.7% for the year ended December 31, 2017 to approximately 83.9% for the year ended December 31, 2018, which was primarily attributable to a greater proportional increase in the business segment revenue than in the business segment cost of sales.

Travel Business Process Management

The gross profit attributable to travel business process management segment decreased by HK$2.6 million, or approximately 12.5%, from HK$20.8 million for the year ended December 31, 2017 to HK$18.2 million for the year ended December 31, 2018. The gross profit margin for travel business process management segment slightly decreased by approximately 0.9% from approximately 72.2% for the year ended December 31, 2017 to approximately 71.3% for the year ended December 31, 2018, which was mainly due to the combined effect of (i) decrease in revenue from travel business process management; and (ii) staff costs remained at similar level as the year ended December 31, 2017 in order to maintain the workforce for operation.

Travel Products and Services

The gross profit attributable to travel products and service segment decreased by HK$0.9 million or approximately 12.9%, from HK$7.0 million for the year ended December 31, 2017 to HK$6.1 million for the year ended December 31, 2018. The gross profit margin for travel products and services segment remained relatively stable at approximately 21%.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling Expenses

The selling expenses slightly increased by HK$0.8 million or approximately 4.5%, from HK$17.7 million for the year ended December 31, 2017 to HK$18.5 million for the year ended December 31, 2018, which was mainly due to increase in share of amortization of intangible assets during the Year.

Administrative Expenses

The administrative expenses increased by HK$6.4 million or approximately 10.4%, from HK$61.3 million for the year ended December 31, 2017 to HK$67.7 million for the year ended December 31, 2018, which was mainly due to the increase in legal and professional fees and auditor's remuneration incurred following the listing and the increase in discretionary bonuses awarded to the Group's employees in recognition of their efforts and contributions.

Income Tax Expense

The Group recorded income tax expense of HK$4.6 million for the year ended December 31, 2018 as compared with HK$5.5 million for the year ended December 31, 2017. The effective tax rate remained relatively stable at approximately 29.4%.

Profit For The Year

As a result of the cumulative effect of the foregoing, profit of the Group decreased by HK$1.3 million or approximately 10.5%, from HK$12.4 million for the year ended December 31, 2017 to HK$11.1 million for the year ended December 31, 2018.

Excluding the non-recurring listing expenses and deferred income tax impact, the Group's adjusted profit for the year ended December 31, 2018 was HK$24.4 million.

FINANCIAL RESOURCES AND LIQUIDITY

During the year ended December 31, 2018, 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 HK$0.4 million in 2018, as compared with net cash generated from operating activities of HK$1.0 million in 2017. Net cash generated from investing activities was HK$24.4 million in 2018, as compared with net cash used in investing activities of HK$6.8 million in 2017, respectively. Net cash generated from financing activities in 2018 was HK$53.1 million, as compared with net cash used in financing activities of HK$1.8 million in 2017.

As at December 31, 2018, the Group's cash and cash equivalents amounted to HK$138.3 million which includes the net proceeds from the Share Offer of HK$49.7 million, representing an increase of approximately 111.5% from HK$65.4 million as at December 31, 2017.

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, 2018, 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, 2018, the Group had net current assets of HK$120.9 million as compared with net current assets of HK$49.5 million as at December 31, 2017.

EVENT AFTER THE REPORTING PERIOD

There are no significant events subsequent to the end of the reporting period which would materially affect the Group's operating and financial performance as of the date of this report.

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 gain of approximately HK$0.4 million was recorded for the year ended December 31, 2018 and exchange loss of approximately HK$0.8 million for the year ended December 31, 2017.

During the year ended December 31, 2018, 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, 2018, the Group had a total of 136 employees as compared with 139 employees as at December 31, 2017, of which 133 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, 2018 were HK$52.1 million as compared with HK$55.4 million for the year ended December 31, 2017. 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 ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENTS

On October 25, 2018, CTEH Ventures, a wholly-owned subsidiary of the Company, and WWPKG Management entered into a JV agreement in relation to the subscription of shares of the JV Company. For details, please refer to the announcement of the Company dated October 25, 2018. As at December 31, 2018, the JV Company had investments in startup companies that engaged in tourism technology related business.

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, 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As of December 31, 2017, the Group had restricted term deposit of approximately HK$45.0 million. The restricted term deposit represents a term deposit that is held as security to the bank for the letters of guarantee issued to IATA. The restricted term deposit was released on February 2, 2018.

As of December 31, 2017, the Group had government bond issued by the Canadian government of approximately HK$1.4 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 2.2% with a maturity date of December 1, 2018 and under renewal process as of December 31, 2018. At January 1, 2018, the Group made an irrevocable election to present all changes in the fair value of the available-for-sale financial assets to the profit or loss, as explained in Note 2.1.1(a) of the consolidated financial information.

CONTINGENT LIABILITIES

As at December 31, 2018, the Group did not have any material contingent liabilities or guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group does not have plans for material investments and capital assets as at December 31, 2018.

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, 2018 is set out below:

Use of net proceeds	Net proceeds from the Share Offer HK$ million	Actual utilization up to December 31, 2018 HK$ million	Unutilised amounts as at December 31, 2018 HK$ million
Repayment of bank borrowings	21.5	21.5	—
Expansion of air ticket distribution business	13.4	—	13.4
Upgrade the information technology infrastructure	6.7	0.9	5.8
Expansion the travel business process management business	6.9	—	6.9
Advertising and promotion	1.2	—	1.2
	49.7	22.4	27.3

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Mrs. Rita Pik Fong Tsang, aged 65, is one of the founders of our Group, and was appointed as our executive Director on August 18, 2017. Mrs. Tsang is responsible for overall strategic planning and business development of our Group. Mrs. Tsang successively served as vice president, president and chief executive officer, and chairperson of Tour East Canada and Tour East New York, respectively, since their establishments, and has been primarily responsible for their overall management. Mrs. Tsang has over 40 years of experience in the travel and tourism industry through managing the operations of our Group since its inception in 1976. Mrs. Tsang obtained her Bachelor of Arts degree in general studies from University of Toronto in Canada in June 1978. Mrs. Tsang is the sister of Ms. Tsu and Dr. Chu.

Ms. Annie Shuk Fong Tsu (also known as Shuk Fong Anne Tsu), aged 57, was appointed as our executive Director on August 18, 2017 and is responsible for overseeing the operations, strategic management, finance functions and travel technology services of our Group. Ms. Tsu joined our Group in January 1983 as a travel consultant of Tour East Canada and was responsible for sales and marketing. She successively served various positions in Tour East Canada, including vice president overseeing marketing from September 1992 to December 2000, executive vice president overseeing marketing and information technology from September 2001 to December 2009, president in charge of sales and overall operations from December 2010 to April 2017, and president and chief executive office overseeing the operations and management since May 2017. Since January 1992, Ms. Tsu also successively served as vice president and executive vice president in Tour East New York, and has been serving as its president and chief executive officer overseeing its operations and management since December 2015. Ms. Tsu was awarded Ernst & Young Entrepreneur of the Year Award in tourism and hospitality in Ontario in 2010. Ms. Tsu attended University of Toronto in Canada from September 1980 to 1982. Ms. Tsu is the sister of Mrs. Tsang and Dr. Chu.

NON-EXECUTIVE DIRECTOR

Dr. Kwok Chun Dennis Chu, aged 59, joined our Group as a director of Tour East Canada in January 2013 and was appointed as our non-executive Director on August 18, 2017. Dr. Chu is primarily responsible for providing strategic advice and guidance on the business development of our Group. He is a licensed obstetrician and gynecologist in Toronto and has been serving as a clinician in North York General Hospital since July 1995. Dr. Chu obtained his doctor of medicine degree in medicine from University of Toronto in Canada in June 1985. Dr. Chu is the brother of Mrs. Tsang and Ms. Tsu.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Michael Edward Ricco, aged 63, was appointed as an independent non-executive Director of our Company on May 7, 2018. Dr. Ricco has 32 years experience in the aviation and international tourism industries. From June 1974 to August 1994, Dr. Ricco worked at United Airlines where he last served as senior staff planner and was primarily responsible for its operations, sales and marketing and strategic planning. From August 1994 to September 2006, Dr. Ricco served as a vice president and general manager of the international division of The Mark Travel Corporation, a company principally engaged in international tourism, and was primarily responsible for international marketing and sales. Since July 2006, Dr. Ricco has been serving as the sole principal at Ricco Consulting LLC, a company principally engaged in the provision of consulting services to travel and other industries, where he was primarily responsible for strategic planning and business development projects. Additionally, since 2006, Dr. Ricco has been engaged in teaching and administration with higher education.

Dr. Ricco obtained his degree of associate in science from Muskegon Community College in the United States in April 1976, his bachelor of business administration degree in marketing from Grand Valley State University in the United States in August 1978, his master of business administration degree in marketing management from San Francisco State University in the United States in January 1983, and his doctorate of business administration degree in business administration from University of Phoenix in the United States in September 2009.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mrs. Kitty Yuk-Yee Yeung (also known as Kitty Yuk-Yee Ng), aged 64, was appointed as an independent non-executive Director of our Company on May 7, 2018. Mrs. Yeung has been working as a freelance marketing consultant since January 2009, mainly providing marketing advice and consultancy to new entrepreneurs in Toronto. Mrs. Yeung has over 30 years of experience in print media industry, with specific expertise in journalism, marketing and operations management. She served as the general manager of Today Daily News from July 2006 to September 2007 and of World Journal from September 2003 to May 2006, where she was responsible for the management of all departments of the newspaper respectively excluding editorial department. From January 2000 to August 2003, she served as the vice president of corporate development at Balmoral Marketing where she was primarily responsible for strategic planning and building customer relations. From October 1979 to April 1998, Mrs. Yeung successively served as a reporter, deputy editor-in-chief, assistant general manager, deputy general manager and general manager at Sing Tao Newspaper (Canada 1988) Limited where she was primarily responsible for the management of all departments of the newspaper excluding editorial department. Mrs. Yeung obtained her bachelor of art degree in sociology from McMaster University in Canada in August 1977.

Mr. Sik Yuen Lau, aged 52, was appointed as an independent non-executive Director of our Company on May 7, 2018. Mr. Lau has over 13 years experience in auditing and financial accounting industry. Mr. Lau has been their company secretary and chief financial officer of Xinyi Glass Holdings Limited, a company principally engaged in production and sales of glass products and listed on the Stock Exchange (stock code: 868) since April 2003, and is responsible for managing the financial, taxation, investor relations and company secretary matters. Mr. Lau successively served as a financial manager and the financial controller at Pollution & Protection Services Ltd., a company primarily engaged in environmental protection, from June 1999 to April 2003. He successively served as an associate and a senior associate at PricewaterhouseCoopers from August 1994 to April 1999, where he was in charge of audits.

Mr. Lau obtained his bachelor of science degree in business administration from Oregon State University in the United States in September 1989. Mr. Lau is a member of American Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau has served as an independent non-executive director of China Qinfa Group Limited, a company listed on the Main Board since June 2009. Mr. Lau has served as an independent non-executive director of Dragon Crown Group Holdings Limited, a company listed on the Main Board since November 2010. Mr. Lau has also served as an independent non-executive director of SDM Group Holdings Limited, a company Listed on the GEM, since September 2014.

SENIOR MANAGEMENT

Mr. Anthony Kin Fai Chiu, aged 59, joined our Group as a financial controller in August 2014 and was promoted to chief financial officer in March 2017 where he is primarily responsible for accounting organization, financial planning, tax planning and treasury. Mr. Chiu has over 25 years experience in auditing, accounting and finance fields. Prior to joining our Group, from November 2006 to November 2012, he served as a group financial controller at North China German Auto Ltd., an auto dealership group, where he was primarily responsible for financial, treasury and administration matters. From August 2002 to October 2006, he served as a financial controller at Sime Darby Ltd., an auto dealership group, where he was primarily responsible for financial matters. From December 1997 to July 2002, he served as a financial analysis manager at Tetra Pak Hong Kong, a company principally engaged in food packaging, where he was principally responsible for business and financial analysis. He served as auditor at various accounting firms from August 1991 to November 1997. Mr. Chiu has been an independent non-executive director of Sigma Equity VA Fund since December 2015.

Mr. Chiu obtained his Bachelor of Science degree and master's degree in business administration in February 1988 from State University of New York at Buffalo in the United States. He has been a member of the American Institute of Certified Public Accountants since October 1996, a fellow member of Hong Kong Society of Accountants since October 2004, and a certified public accountant in the State of Illinois in the United States since August 1996.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Rajasunderam Ravikumar, aged 62, joined our Group as a consultant in March 2007 and has been serving as a vice president of strategic planning since January 2017. Mr. Ravikumar is primarily responsible for identifying client requirements defining opportunities, developing solutions and implementing business strategies. Mr. Ravikumar has over 30 years experience in the travel business. Prior to joining our Group, from May 2004 to February 2007, Mr. Ravikumar served as a vice president and general manager of Skylink Travel, a company principally engaged in the provision of travel services, where he was primarily responsible for managing its business operations and business expansion. From October 1998 to May 2004, he served as a general manager of Canadian business unit of Rosenbluth International, a company principally engaged in provision of travel management services, where he was primarily responsible for managing its operations. From September 1986 to September 1998, he worked at American Express Business Travel, a travel management company, where he last served as a regional and branch management and was primarily responsible for service delivery and onsite operations. Mr. Ravikumar attended McGill University and Concordia University in Canada between 1985 and 1989.

Ms. Wendy Law, aged 65, joined our Group as a wholesale manager of air reservation unit of Tour East Canada in January 2004 where she was principally responsible for managing wholesale and ticketing operations. Ms. Law was promoted to general manager in August 2006 and further to director of air market where she is principally responsible for overseeing the business operations of retail business unit and air market. Ms. Law has over 30 years experience in travel industry. Prior to joining our Group, from March 2002 to October 2003, Ms. Law served as a director and officer of Travel Unique Inc. From April 1988 to May 2002, Ms. Law successively served as a wholesale sales manager and wholesale operations manager of Jade Tours, a company principally engaged in the provision of travel services, where she was primarily responsible for provision of travel arrangements to retail and corporate customers. From February 1976 to July 1986, Ms. Law worked at Cathay Pacific Airways Limited and last served as a senior purser. She was qualified as a flight attendant on Worldways Canada Ltd. in May 1987. Ms. Law obtained her high school education from St. Margaret's Girls College in Hong Kong from September 1965 to July 1970.

Mr. Jason Kam On Ho, aged 56, joined our Group as a business analyst in September 2008, and was promoted to director of travel technology services in March 2017 where he has been primarily responsible for leading software development team and overseeing network infrastructure team. Mr. Ho has over 30 years of experience in software development and project management. Prior to joining our Group, from March 1995 to July 2008, Mr. Ho served as a computer officer and assistant program manager at the Applied Technology Center of Hong Kong University of Science and Technology where he was primarily responsible for the development and implementation of technological projects and software quality assurance. From February 1991 to July 1994, he served as a software engineer at Spar Aerospace Limited, a company principally engaged in research and development of aerospace robotics system.

Mr. Ho obtained his Bachelor of Science degree in computing science software design from University of Alberta in Canada in November 1986, his master's degree in engineering from University of Colorado in the United States in May 2001, and his executive diploma in transportation logistics management from The Hong Kong University of Science and Technology in September 2003.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Kai Yu Chow, aged 37, was appointed as our company secretary on September 15, 2017. Mr. Chow joined our Group in July 2017 and is currently the financial controller of Tour East Canada. Prior to joining our Group, from September 2014 to June 2017, Mr. Chow served successively as an assistant finance manager and finance manager at Chim Kee Machinery Co., Ltd., a company primarily engaged in construction machinery business, where he was primarily responsible for overseeing and enhancing the accounting function of company's accounts and finance department. He worked at BDO Limited from May 2009 to September 2014 where he last served as an assistant manager and was primarily responsible for audit service. From August 2008 to April 2009, he served as an assistant in the audit and assurance division of Shu Lun Pan Hong Kong CPA Limited, an accounting firm, where he was responsible for audit service.

Mr. Chow obtained his Bachelor of Science degree in physics from The Hong Kong University of Science and Technology in November 2005 and his Master of Science degree in materials science and engineering from The Hong Kong University of Science and Technology in November 2006. He has been a member of Hong Kong Institute of Certified Public Accountants since January 2013.

CORPORATE GOVERNANCE REPORT

The Company is committed to fulfilling its responsibilities to its Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Directors recognise the importance of incorporating elements of good corporate governance in the management structures, internal control and risk management procedures of the Group so as to achieve effective accountability.

CORPORATE GOVERNANCE PRACTICES

As the Company's issued ordinary shares were initially listed on the Stock Exchange on June 28, 2018, the Corporate Governance Code (the "**CG Code**") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") was not applicable to the Company for the period from January 1, 2018 to June 27, 2018, being the date immediately before the Listing Date.

The Company has adopted and complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to December 31, 2018 and thereafter up to the date of this report.

BOARD OF DIRECTORS

Responsibilities

The Board is charged with promoting the success of the Company by directing and supervising its affairs. The Board has general powers for the management and conduct of the Company's business. The day-to-day operations and management are delegated by the Board to the management of the Company, who will implement the strategy and direction as determined by the Board.

Composition

The Company is committed to the view that the Board should include a balanced composition of executive, non-executive and independent non-executive Directors so that the Board has a strong independent element, which can effectively exercise independent judgment.

The composition of the Board during the Year is as follows:

Executive Directors	Mrs. Rita Pik Fong Tsang (Chairperson) Ms. Annie Shuk Fong Tsu (Chief Executive Officer)
Non-executive Director	Dr. Kwok Chun Dennis Chu
Independent Non-executive Directors	Dr. Michael Edward Ricco Mrs. Kitty Yuk-Yee Yeung Mr. Sik Yuen Lau

The Board members have no financial, business, family or other material/relevant relationship with each other except those disclosed in the in the section headed "Biographies of the Directors and Senior Management" of this report. Given the business nature and scope of the Company, the Board has appropriate skill and experience for the requirements of the business of the Company.

CORPORATE GOVERNANCE REPORT

Responsibilities of executive Directors

The executive Directors are responsible for the leadership and control of the Company and overseeing the Group's businesses development, strategic formulation and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

Responsibilities of independent non-executive Directors

The independent non-executive Directors participate in the Board meetings to bring in an independent judgment to bear on the issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinise the Company's performance in achieving agreed corporate goals and objectives. They are also responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as providing a balance in the Board in order to effectively exercise an independent judgment on the corporate actions of the Company so as to protect Shareholders' interest and the overall interest of the Group.

Throughout the year ended December 31, 2018, the Company had three independent non-executive Directors, which met the requirements of the Listing Rules that the number of independent non-executive Directors must represent at least one-third of the Board and should not be less than three, and that at least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise.

Each of the independent non-executive Directors has made an annual confirmation of independence in writing pursuant to Rule 3.13 of the Listing Rules and the Board is satisfied that all the independent non-executive Directors have been independent and met the independence guidelines set out in Rule 3.13 of the Listing Rules during the year ended December 31, 2018 and up to the date of this report.

Term of Directors

Each of the executive Directors has entered into a service contract with the Company on June 22, 2018 and the Company has issued letters of appointment to each of the independent non-executive Directors. The principal particulars of these service contracts and letters of appointment are (i) for a term of one year commencing from June 28, 2018; and (ii) subject to termination in accordance with their respective terms. The term of the service contracts and the letters of appointment may be renewed in accordance with our Articles and the applicable Listing Rules.

Remuneration

Our Directors and our senior management receive remuneration in the form of salaries, allowances and other benefits, including our contribution on defined contribution retirement plans.

The aggregate amount of remuneration (including salaries, allowances, discretionary bonuses, other benefits and contributions to pension schemes) paid or payable to our senior management for the year ended December 31, 2018 was approximately HK$3.5 million.

The remuneration of the Directors is determined with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group. Details of the remuneration of the Directors for the year ended December 31, 2018 are set out in note 9 to the consolidated financial statements. In addition, pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration of members of the senior management by band for the year ended December 31, 2018 is set out below:

In the band of	Number of individuals
Nil to HK$500,000	—
HK$500,001 to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	1

Details of the Directors' remuneration is set out in Note 9 to the consolidated financial statement of the Group in this report.

Directors' induction and continuing professional development

Each of the Directors has received a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure that he/she has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under statute and common law, the Listing Rules, other legal and regulatory requirements and the Company's business and governance policies.

The Company will from time to time provide briefings to all Directors to develop and refresh their duties and responsibilities by reading materials relating to duties and responsibilities of directors of a listed company in Hong Kong, the Listing Rules and other applicable laws and regulations. Each of the Directors, namely, Mrs. Rita Pik Fong Tsang, Ms. Annie Shuk Fong Tsu, Dr. Kwok Chun Dennis Chu, Dr. Michael Edward Ricco, Mrs. Kitty Yuk-Yee Yeung and Mr. Sik Yuen Lau, has participated in continuous professional development during the year ended December 31, 2018 by reading materials relating to duties and responsibilities of directors of a listed company in Hong Kong, the Listing Rules and other applicable laws and regulations. All Directors are also encouraged to attend relevant training courses at the Company's expense to develop and refresh their knowledge and skills as part of their continuous professional development.

CORPORATE GOVERNANCE REPORT

Meetings of Board and Board committees and Directors' attendance records

Notice of regular Board meetings is served on all Directors at least 14 days before the meeting. For other Board and Board committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three days before each Board or Board committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management of the Company where necessary.

The minutes of Board and Board committee meetings are kept by the Company Secretary and are open for inspection by any Director. The minutes of Board and Board committee meetings record in sufficient detail the matters considered and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of minutes are sent to all Directors for their comment and records respectively, within a reasonable time after the meetings are held.

During the year ended December 31, 2018, no general meeting was held while three Board meetings were held whereat the Board (i) approved the share offer for the listing of the Shares on the Main Board of the Stock Exchange; (ii) reviewed and approved the interim results for the six months ended June 30, 2018; (iii) considered and approved the overall strategies and policies of the Group. The attendance of individual Directors at the Board meetings is set out in the following table:

Name of Directors	Attended/ Eligible to attend
Mrs. Rita Pik Fong Tsang *(Chairperson)*	3/3
Ms. Annie Shuk Fong Tsu	3/3
Dr. Kwok Chun Dennis Chu	3/3
Dr. Michael Edward Ricco	3/3
Mrs. Kitty Yuk-Yee Yeung	3/3
Mr. Sik Yuen Lau	3/3

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the Code Provision D.3.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this corporate governance report.

BOARD COMMITTEES

The Company has three board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the Board committees operates under its terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company established an audit committee on May 7, 2018 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. 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 Audit Committee has reviewed this report, including the audited consolidated results of the Group for the year ended December 31, 2018.

The main responsibilities of the Audit Committee are to review the Group's financial information and the auditors' reports and monitor the integrity of the consolidated financial statements of the Group as well as overseeing the financial reporting process, risk management and internal control system (including the need to setup internal audit function) of the Group and assisting the Board to fulfill its responsibility over the audit. Other responsibilities include making recommendations to the Board on the appointment, reappointment and removal of external auditor, approval of the remuneration and terms of the engagement of the external auditor, and any other matters arising from the above. The Audit Committee is also responsible for performing the Company's corporate governance functions and serves as a channel of communication between the Board and the external auditor.

During the year ended December 31, 2018, one Audit Committee meeting was held whereat the Audit Committee (i) reviewed the unaudited consolidated financial results of the Company for the six months ended June 30, 2018; and (ii) reviewed the internal control and risk management system of the Group. The attendance of individual members was set out in the following table:

Name of Directors	Attended/ Eligible to attend
Mr. Sik Yuen Lau *(Chairperson)*	1/1
Dr. Kwok Chun Dennis Chu	1/1
Dr. Michael Edward Ricco	1/1

Remuneration Committee

The Company has established a Remuneration Committee on May 7, 2018 with its terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1.2 of the CG Code. The Remuneration Committee currently consists of four members, namely Dr. Michael Edward Ricco (chairman of the Remuneration Committee), Mrs. Kitty Yuk-Yee Yeung and Mr. Sik Yuen Lau, all being independent non-executive Directors, and Dr. Kwok Chun Dennis Chu, being a non-executive Director.

The primary objectives and duties of the Remuneration Committee were set out in its terms of reference adopted in compliance with the requirements under the CG Code, which include making recommendations to the Board on the remuneration policy and structure and remuneration packages and employee benefit arrangement of the Directors and the senior management.

The Remuneration Committee has adopted the model described in Code Provision B.1.2(c) (ii) of the CG Code (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management).

No meeting was held by the Remuneration Committee during the period from the Listing Date to December 31, 2018.

Nomination Committee

The Company has established a Nomination Committee on May 7, 2018 with its terms of reference in compliance with Code Provision A.5.2 of the CG Code. The Nomination Committee currently consists of three members, namely Mrs. Rita Pik Fong Tsang (chairperson of the Nomination Committee), being the Chairperson of the Board and an executive Director and other members included Mrs. Kitty Yuk-Yee Yeung and Dr. Michael Edward Ricco, both being independent non-executive Directors.

The committee is responsible for reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, skills, knowledge and professional experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships, and considering candidates on merit and against objective criteria with due regard to the Board diversity policy as below. The committee is also responsible for reviewing the Policy and the measurable objectives, the progress on achieving the objectives, assessing the independence of independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the chairman and the chief executive officer of the Company.

The criteria for the committee to select and recommend a candidate for directorship include the candidate's reputation for integrity, qualifications, skills and knowledge, experience, commitment in respect of available time, independence and gender diversity.

No meeting was held by the Nomination Committee during the period from the Listing Date to December 31, 2018.

Board diversity policy

In addition, the Board has adopted a board diversity policy. The Company seeks to achieve board diversity through the consideration of a number of factors in the Board members' selection process, including but not limited to gender, age, cultural and educational background, race, professional experience and industry experience. These factors will be considered in determining the optimum composition of the Board and all Board appointments will be based on meritocracy, having due regard to the Group's business needs from time to time while taking into account diversity. The Board considers that the current Board composition has provided the Company with a good balance and diversity of skills and experience appropriate to the requirements of its business. The Board will continue to review its composition from time to time taking into consideration specific needs for the Group's business.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has in place policies and procedures in relation to risk management and internal control. The Board is responsible for evaluating and determining the nature and extent of the risks that the Company is willing to take in achieving the Company's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems. The Board acknowledges that such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Main Features of Risk Management and Internal Control Systems

The key elements of the Company's risk management and internal control systems include the establishment of strategic risk register to monitor, evaluate and assess the identified risks. The Company updates the risk responses for each key risk identified to ensure the effectiveness of the mitigation procedures on an ongoing basis. The significance of the risks reflects the level of management's attention and risk responses. Risk management process is integrated with the internal control system, so that the Company's ability to handle risks that hinder the achievement of financial, operational and compliance goals is strengthened and the allocation of resources on control measures against specific or high risks areas is more adequate.

Process used to identify, evaluate and manage significant risks

The Company develops a preliminary inventory of events that could influence the achievement of the Company's business objectives. The Company identifies outside and inside events by reviewing its external and internal environment and stakeholders, which have an influence or potential influence on the Company's ability to achieve its strategies and business objectives. The risk identification process takes place at least once a year. Furthermore, any risk events and incidents identified by the operating units and support functions will be reported to the management in a timely manner.

The risks identified are evaluated according to the frequency and probability of their occurrence and the significance of their impact on the achievement of the Company's business objectives. The Company selects and deploys the corresponding risk responses and investigates the mitigation procedures to be executed to ensure the identified significant risks were managed to an acceptable level.

Process used to review the effectiveness of the Risk Management and Internal Control Systems

Recently, the Board, through the Audit Committee, has conducted a review of the effectiveness of the risk management and internal control systems of the Group covering all material controls, including financial, operational and compliance controls functions. The Board considers that the Group's risk management and internal control systems are adequate and effective. The Audit Committee also reviews the effectiveness of the actions taken on the recommendations made by the external auditor in this respect, if any. Moreover, an annual review on the need for an internal audit function had been conducted by the Audit Committee and it was unanimously resolved that, in view of the relatively straight-forward business of the Group, there was no impending need for the Company to set up an internal audit function. The Company will keep abreast of any regulatory requirements in this regard and periodic review will be conducted.

The Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls and risk management that has been maintained by the management throughout the Year is adequate and effectively meets the needs of the Group in its current business environment, and addresses the financial, operational, compliance and information technology risks. The Board expects that a review of the risk management and internal control systems will be performed annually.

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 Listing Date up to the date of this report.

EXTERNAL AUDITOR AND REMUNERATION

The statement of the Company's auditors about their reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" on pages 44 to 45 of this report.

For the year ended December 31, 2018, the remuneration payable or paid to the Company's auditors, PricewaterhouseCoopers LLP, is as follows:

	For the year ended December 31, 2018 HK$'000
Statutory audit services	2,002
Non-statutory audit services acting as reporting accountant and reviewing internal control for listing of the shares of the Company on the Main Board of the Stock Exchange	4,066
Others	599
	6,667

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Group and of the results and cash flow during the reporting period. In preparing the consolidated financial statements for the year ended December 31, 2018, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. A statement from the external auditors about its reporting responsibilities on the consolidated financial statements set out in the "Independent Auditor's Report" on pages 44 to 45 of this report.

INSIDE INFORMATION POLICY

The Company has established policies for the handling and dissemination of inside information. Such policy is set out inside the staff manual and all staff is required to comply with such policy. In addition, each level of personnel of the Group is granted specific level of access to price sensitive and inside information. The Directors, senior management and employees are informed with the latest regulatory updates.

COMPANY SECRETARY

Mr. Kai Yu Chow, the company secretary of the Company (the "**Company Secretary**"), has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the Year. All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary has been/will be subject to the Board's approval.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene an extraordinary general meeting

- Pursuant to the memorandum and articles of association of the Company (the "Memorandum and Articles"), any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting ("EGM") to be called by the Board for the transaction of any business specified in such requisition.
- Eligible Shareholder(s) who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong, at 31st Floor, 148 Electric Road, North Point, Hong Kong, for the attention of the Company Secretary.
- The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. The Requisition must be signed by the Eligible Shareholder(s) concerned.
- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within two months and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM after the deposit of the Requisition.
- If within 21 days of the deposit of the Requisition the Board has not advised the Eligible Shareholders of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Memorandum and Articles, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting enquiries by Shareholders to the Board

Shareholders may send their enquiries and concerns to Board by addressing them to the principal place of business of the Company in Hong Kong at 31st Floor, 148 Electric Road, North Point, Hong Kong by post or email to Mr. Kai Yu Chow at brian.chow@toureast.com, for the attention of the Company Secretary.

Procedures for Shareholders to put forward proposals at Shareholders' meeting

There is no provision allowing Shareholders to propose resolutions at the general meetings of the Company under the Memorandum and Articles. Shareholders who wish to propose resolutions may, however, convene an EGM to do so by following the procedures as set out in the paragraph headed "Procedures for Shareholders to convene an extraordinary general meeting" in this report.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its Shareholders. Information of the Company is disseminated to the Shareholders in the following manner:

- Delivery of annual and interim results and reports to all Shareholders;
- Publication of announcements regarding the annual and interim results on the Stock Exchange's website, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and Shareholders.

Code Provision E.1.3 of the CG Code stipulates that the issuer should arrange for the notice to Shareholders to be sent in the case of the annual general meeting at least 20 clear business days before the meeting and in the case of all other general meetings at least 10 clear business days before the meeting. The Company has been in compliance with such code provision.

All resolutions put forward at Shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each Shareholder meeting.

DIVIDEND POLICY

The Board considers sustainable returns to shareholders whilst retaining adequate reserves for the Group's future development to be an objective. Under the dividend policy adopted by the Company, dividends may be declared from time to time and be paid to shareholders provided that the Group is profitable and without affecting the normal operations of the Group. In summary, the declaration of dividends and the dividend amount shall be determined at the sole and absolute discretion of the Board taking into account the following factors:

- the Group's financial performance;
- the liquidity position and capital requirements of the Group; and
- any other factors that the Board may consider appropriate.

CONSTITUTIONAL DOCUMENTS

Except for the adoption of the amended and restated memorandum of association and Articles of Association (the "**M&A**") by the Company to comply with the applicable legal and regulatory requirements (including the Listing Rules) on June 28, 2018, there was no change in the constitutional documents of the Company during the year.

The amended and restated Articles is available on the respective websites of the Stock Exchange and the Company.

REPORT OF THE DIRECTORS

REPORT OF THE DIRECTORS

The Board is pleased to present to the Shareholders their report for the Year and the consolidated financial statements as at and for the year ended December 31, 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is an investment holding company. The Group are engaged in air ticket distribution, travel business process management and travel products and services in Canada and the United States. There were no changes in the nature of the Group's principal activities for the period after Listing to the year ended December 31, 2018.

BUSINESS REVIEW

Further discussion and analysis of the Group's principal activities as required by Schedule 5 to the Companies Ordinance (Cap. 622), including a business review of the Group for the year and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis as set out on pages 8 to 12 of this report.

An analysis of the Group's performance during the year ended December 31, 2018 using financial key performance indicators is provided in the Financial Summary on page 110 of this report. These discussions form part of this directors' report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

- inclement weather, natural or man-made disasters or political events like acts or threats of terrorism, hostilities, war and labor disputes or strikes;
- factors that affect demand for travel such as outbreaks of epidemic or contagious diseases, increases in fuel prices, changing attitudes towards the environmental costs of
- travel and safety concerns;
- factors that affect supply of travel such as changes to regulations governing airlines and the travel and tourism industry, like government sanctions that do or would prohibit
- doing business with certain state-owned travel providers, work stoppages or labor unrest at any of the major airlines, hotels or airports;
- financial instability of travel providers and the impact of any fundamental corporate changes to such travel providers, such as airline bankruptcies or consolidations, on the cost and availability of travel content; and
- general economic conditions.

For other risks and uncertainties faced by the Group, please refer to the section headed "Risks Factors" in the prospectus of the Company dated June 15, 2018 (the "Prospectus").

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with the requirements of relevant laws and regulations. During the Year 2018, as far as the Board and management are aware of, there was no material breach or non-compliance with any applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group is committed to contributing to the sustainability of the environment and has implemented policies to minimise the impact on the environment from its business activities. The Group has implemented recycling program for consumables such as toner, cartridges and paper to minimise the operation impact on the environment and natural resources. The Group has also implemented energy saving practices. The Group endeavours to refine the approach to addressing its environmental, social and ethical responsibilities along with improving its corporate governance in order to generate greater value for all stakeholders.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its key stakeholders, including its employees, customers and suppliers, to meet its immediate and long-term business goals. During the year ended December 31, 2018, there were no material and significant disputes between the Group and its employees, customers and suppliers.

The Group recognises employees as one of its valuable assets and strictly complies with the labour laws and regulations in Hong Kong and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance. The Group provides good quality services to its customers and keeps a database for direct communications with recurring customers for developing a long-term trusted relationship. The Group also maintains effective communication and develops a long-term business relationship with the suppliers.

RESULTS AND FINAL DIVIDEND

The results of the Group for the year ended December 31, 2018 and the Group's financial position as at December 31, 2018 are set out in the consolidated financial statements on pages 47 to 48 of this report.

The Board resolved to recommend the payment of a final dividend of 0.46 HK cents per ordinary share for the year ended December 31, 2018. Based on 1,200,000,000 shares in issue as at the date of this report, it is expected that the total amount of final dividend payable to the share holders is HK$5,520,000 for the year ended December 31, 2018. The final dividend is subject to the Shareholders at the forthcoming AGM and the final dividend will be paid on June 25, 2019 to the Shareholders whose names appear on the register of members of the Company on June 11, 2019 (record date).

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

ANNUAL GENERAL MEETING

It is proposed that the AGM will be held on May 28, 2019. 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 May 22, 2019

Closure of register of members... May 23, 2019 to May 28, 2019
(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 4, 2019
Closure of register of members... June 5, 2019 to June 11, 2019
(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 Kongs for registrations no later than the aforementioned latest time.

RESERVES

Movements in the reserves of the Group during the year ended December 31, 2018 are set out in the consolidated statement of changes in equity on page 49 of this report and note 33 to the consolidated financial statements. As at December 31, 2018, the reserves of the Company available for distribution, as calculated under the provision of section 298 of the Companies Ordinance, and in accordance with the Companies Law Cap.22 of Cayman Islands, was approximately HK$56.8 million inclusive of share premium and retained earnings.

FINANCIAL SUMMARY

A summary of the published results and of the assets, equity and liabilities of the Group for the last four financial years is set out on page 110 of this report.

DIRECTORS

The Directors during the Year and up to the date of this report were:

Name	Position
Mrs. Rita Pik Fong Tsang	Executive Director, Chairperson
Ms. Annie Shuk Fong Tsu	Executive Director, Chief Executive Officer
Dr. Kwok Chun Dennis Chu	Non-executive Director
Dr. Michael Edward Ricco	Independent non-executive Director
Mrs. Kitty Yuk-Yee Yeung	Independent non-executive Director
Mr. Sik Yuen Lau	Independent non-executive Director

REPORT OF THE DIRECTORS

In accordance with the Articles, Mrs. Rita Pik Fong Tsang and Ms. Annie Shuk Fong Tsu will retire by rotation and, being eligible, offer themselves for re-election as executive Directors at the AGM.

The biographical details of the Directors and senior management of the Company are set out in “Biographies of the Directors and Senior Management” in this report.

DIRECTORS’ SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of one year commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other. Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

All Directors are subject to retirement by rotation and re-election in accordance with the Articles.

None of the Directors has an unexpired service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS’ MATERIAL INTERESTS IN CONTRACTS

Save for those disclosed in this report, no transaction, arrangement or contract of significance to which the Company or its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, subsisted at any time during the year ended December 31, 2018.

CONTROLLING SHAREHOLDERS’ INTEREST

Save as disclosed in this report, no contracts of significance between the Company or any of its subsidiaries and a controlling Shareholder or any of its subsidiaries for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries subsisted at any time during the Year or as at the end of the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such director or chief executive is taken or deemed to have under such provision of the SFO) or which were required pursuant to section 352 of the SFO, to be entered in the register of members of the Company, or which were required, pursuant to standard of dealings by Directors as referred to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares [1]	Approximate Percentage of Shareholding
Mrs. Rita Pik Fong Tsang (Mrs.Tsang)[2]	Interest of a controlled corporation	540,000,000	45.0%
Ms. Annie Shuk Fong Tsu (Ms. Tsu)[3]	Interest of a controlled corporation	270,000,000	22.5%
Dr. Kwok Chun Dennis Chu (Dr. Chu)[4]	Interest of a controlled corporation	90,000,000	7.5%

Notes:

(1) All interests stated are long positions

(2) BVRTH Inc. (the "**BVRTH**") is beneficially and wholly-owned by Rita Tsang Group Holdings Inc. (the "**RT Group**"), in which Mrs. Tsang is entitled to 90.9% of the voting rights in her own capacity. By virtue of the SFO, Mrs. Tsang is deemed to be interested in the Shares held by BVRTH.

(3) BVATH Inc. (the "**BVATH**") is beneficially and wholly-owne by AT Horizons Holdings Inc. (the "**AT Holdings**"), which in turn is wholly-owned by Ms. Tsu. By virtue of the SFO, Ms. Tsu is deemed to be interested in the Shares held by BVATH.

(4) BVDCH Inc. (the "**BVDCH**") is beneficially and wholly-owned by Dennis Chu's Holdings Inc. (the "**DC Holdings**"), which in turn is wholly-owned by Dr. Chu. By virtue of the SFO, Dr. Chu is deemed to be interested in the Shares held by BVDCH.

Save as disclosed above, as at December 31, 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required pursuant to Section 352 of the SFO, to be entered in the register of members of the Company or which were required to be notified to the Company and the Stock Exchange, pursuant to standard of dealings by Directors as referred to the Listing Rules.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2018, the interest and short positions of the persons (other than the Directors or chief executive of the Company) in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Nature of interest	Number of Shares held (1)	Percentage of shareholding
BVRTH(2)	Beneficial owner	540,000,000	45.0%
RT Group(2)	Interest of a controlled corporation	540,000,000	45.0%
Mrs. Tsang(2)	Interest of a controlled corporation	540,000,000	45.0%
BVATH(3)	Beneficial owner	270,000,000	22.5%
AT Holdings(3)	Interest of a controlled corporation	270,000,000	22.5%
Ms. Tsu(3)	Interest of a controlled corporation	270,000,000	22.5%
BVDCH(4)	Beneficial owner	90,000,000	7.5%
DC Holdings(4)	Interest of a controlled corporation	90,000,000	7.5%
Dr. Chu(4)	Interest of a controlled corporation	90,000,000	7.5%

Notes:

(1) All interests stated are held in long positions

(2) BVRTH is beneficially and wholly-owned by RT Group, in which Mrs. Tsang is entitled to 90.9% of the voting rights in her own capacity. By virtue of the SFO, RT Group and Mrs. Tsang are deemed to be interested in the Shares held by BVRTH.

(3) BVATH is beneficially and wholly-owned by AT Holdings, which in turn is wholly-owned by Ms. Tsu. By virtue of the SFO, AT Holdings and Ms. Tsu are deemed to be interested in the Shares held by BVATH.

(4) BVDCH is beneficially and wholly-owned by DC Holdings, which in turn is wholly-owned by Dr. Chu. By virtue of the SFO, DC Holdings and Dr. Chu are deemed to be interested in the Shares held by BVDCH.

Save as disclosed above, as at December 31, 2018, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares, underlying shares or debentures of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be recorded in the register referred to therein.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended December 31, 2018

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2018, gross cost of procurement from the Group's largest supplier was approximately 17.1% of the total gross cost of procurement and the aggregate gross cost of procurement from its top five suppliers in aggregate were approximately 53.0% of the total gross cost of procurement.

Gross sales proceeds generated from the Group's largest customer was approximately 26.8% of the total gross sales proceeds and the aggregate gross sales proceeds generated from its top five customers in aggregate were approximately 49.2% of the total gross sales proceeds.

Save for Ms. Tsu's interests of 400 shares in one of the five largest customers and 500 shares in another one of the five largest customers, both are listed company, none of our Directors or their respective associates or any Shareholder holding more than 5% of the issued share capital of our Company held an interest in any of the five largest customers of our Group during the year ended December 31, 2018.

Save for (i) Mrs. Tsang's interests of 3,000 shares in one of the five largest suppliers, a listed company, and (ii) Ms. Min Tsu, who is the mother of Mrs. Tsang, Ms. Tsu and Dr. Chu, having an interests of 1,000 shares in one of the five largest suppliers, none of our Directors or their respective associates or any Shareholder holding more than 5% of the issued share capital of our Company held an interest in any of the five largest suppliers of our Group during the year ended December 31, 2018.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles, although there are no restrictions against such rights under the laws in the Cayman Islands.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme, a summary of the principal terms of which is set out as follows:

1. Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to the Group. The Share Option Scheme will provide the Eligible Participants (as defined below) an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants (as defined below) to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants (as defined below) whose contributions are or will be beneficial to the long-term growth of the Group.

2. Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "Eligible Participants") to subscribe for such number of new Shares as the Board may determine:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries.

3. Total number of Shares available for issue under the Share Option Scheme and percentage of issued Shares

As at the date of this report, no share option has been granted under the Share Option Scheme.

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 120,000,000 Shares, representing 10% of the total number of Shares in issue immediately following completion of the Share Offer.

4. Maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the Listing Rules) (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting.

5. The period within which the options must be exercised under the Share Option Scheme

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee, but shall not be more than 10 years from the date upon which the option is deemed to be granted and accepted.

6. The minimum period for which an option must be held before it can be exercised

There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the Directors.

7. The basis of determining the exercise price

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

8. **The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid**

   The grantee shall pay HK$1.00 to the Company by way of consideration for the grant on or before the relevant acceptance date of the option.

9. **The remaining life of the Share Option Scheme**

   The Share Option Scheme, unless otherwise terminated or amended, will remain in force for a period of 10 years from the Adoption Date, i.e. May 7, 2018.

   Since the adoption of the Share Option Scheme, no share options were granted, exercised, cancelled or lapsed by the Company under the Share Option Scheme. There were no outstanding share options under the Share Option Scheme as at the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed in the sections headed "Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures of the Company or any of its associated corporations" on page 31 of this report and "Share Option Scheme" on pages 33 to 35 of this report, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective associates nor was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective associates to acquire such rights in any other body corporate.

CONTINUING CONNECTED TRANSACTIONS

During the Year, the Group had entered into the following continuing connected transactions:

(i) **Tenancy Agreement in respect of the office located at Unit 173, 4438 Sheppard Avenue E, Scarborough, Ontario, Canada M1S 5V9 (the "Sheppard Tenancy Agreement")**

   On January 1, 2018, Tour East Canada as tenant entered into the Sheppard Tenancy Agreement with Ms. Min Tsu as a landlord, pursuant to which Ms. Min Tsu agreed to lease to Tour East Canada a property situated at Unit 173, 4438 Sheppard Avenue E, Scarborough, Ontario, Canada M1S 5V9 (the "Sheppard Premises"), with a total gross floor area of approximately 295 sq. ft. The Sheppard Premises has been used as our retail branch in Ontario. The Sheppard Tenancy Agreement has a term commenced from January 1, 2018 and ending on December 31, 2020 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD2,000. During the term of the Sheppard Tenancy Agreement, each of Ms. Min Tsu and Tour East Canada shall have the right to terminate the Sheppard Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Sheppard Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Sheppard Tenancy Agreement, the performance of Tour East Canada's obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada. During the year, total consideration for the Sheppard Tenancy Agreement amounted to CAD24,000.

   Our Directors estimate that for the three years ending December 31, 2020, the aggregate annual rental payable by Tour East Canada to Ms. Min Tsu under the Sheppard Tenancy Agreement will not exceed CAD24,000, CAD24,000 and CAD24,000, respectively.

REPORT OF THE DIRECTORS

Ms. Min Tsu is the mother of Mrs. Tsang, our controlling Shareholder, and is an associate of our controlling Shareholder, and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Sheppard Tenancy Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing

(ii) Tenancy Agreement in respect of the office located at Ground Floor, Unit G1, 4168 Finch Avenue E, Scarborough, Ontario, Canada M1S 5H6 (the "Finch Tenancy Agreement")

On January 1, 2018, Tour East Canada as tenant entered into the Finch Tenancy Agreement with Ms. Min Tsu as a landlord, pursuant to which Ms. Min Tsu agreed to lease to Tour East Canada a property situated at Ground Floor, Unit G1, 4168 Finch Avenue E, Scarborough, Ontario, Canada M1S 5H6 (the "Finch Premises"), with a total gross floor area of approximately 493 sq. ft. The Finch Premises has been used as our retail branch in Ontario. The Finch Tenancy Agreement has a term commenced from January 1, 2018 and ending on December 31, 2020 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD1,360. During the term of the Finch Tenancy Agreement, each of Ms. Min Tsu and Tour East Canada shall have the right to terminate the Finch Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Finch Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Finch Tenancy Agreement, the performance of Tour East Canada's obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada. During the year, total consideration for the Finch Tenancy Agreement amounted to CAD16,320.

Our Directors estimate that for the three years ending December 31, 2020, the aggregate annual rental payable by Tour East Canada to Ms. Min Tsu under the Finch Tenancy Agreement will not exceed CAD16,320, CAD16,320 and CAD16,320, respectively.

Ms. Min Tsu is the mother of Mrs. Tsang, our controlling Shareholder, and is an associate of our controlling Shareholder, and hence a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Finch Tenancy Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

(iii) Tenancy Agreement in respect of the office located at 15 Kern Road, Toronto, Ontario, Canada M3B 1S9 (the "Kern Tenancy Agreement")

On May 7, 2018, Tour East Canada as tenant entered into the Kern Tenancy Agreement with Mrs. Tsang, Ms. Tsu and Dr. Chu (together as "landlord"), pursuant to which landlord agreed to lease to Tour East Canada a property situated at 15 Kern Road, Toronto, Ontario, Canada M3B 1S9 (the "Kern Premises"), with a total gross floor area of approximately 14,490 sq. ft. The Kern Premises has been used as our head office in Ontario. The Kern Tenancy Agreement has a term commenced from May 7, 2018 and ending on May 6, 2021 at a monthly basic rental (exclusive of sales taxes, proportionate share of all the realty taxes and operating costs payable by Tour East Canada) of CAD20,000. During the term of the Kern Tenancy Agreement, landlord and Tour East Canada shall have the right to terminate the Kern Tenancy Agreement by giving 180-day prior written notice to each other without paying any compensation, other than in respect of any matters arising prior to the date of termination. Tour East Canada has an option to renew the Kern Tenancy Agreement subject to the applicable requirements of the Listing Rules. Pursuant to the Kern Tenancy Agreement, the performance of Tour East Canada's obligations thereunder is subject to due compliance with the Listing Rules, provided that the Listing Rules are not in contravention to the laws of Ontario and the federal laws of Canada. During the year, total consideration for the Kern Tenancy Agreement amounted to CAD160,000.

Our Directors estimate that for the three years ending December 31, 2020, the aggregate annual rental payable by Tour East Canada to landlord under the Kern Tenancy Agreement will not exceed CAD180,000, CAD240,000 and CAD240,000, respectively.

Mrs. Tsang, Ms. Tsu and Dr. Chu are our Directors. Accordingly, the transaction contemplated under the Kern Tenancy Agreement will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules upon Listing.

Since each of the applicable percentage ratios (other than the profits ratio) for (a) the Sheppard Tenancy Agreement and the Finch Tenancy Agreement on an aggregated basis; and (b) the Sheppard Tenancy Agreement, the Finch Tenancy Agreement and the Kern Tenancy Agreement on a standalone basis is expected to be less than 5% and the total consideration is less than HK$3,000,000 on an annual basis, the transactions are fully exempt from the reporting, annual review, announcement, circular and the independent shareholders' approval requirement under Rule 14A.76(1) of the Listing Rules.

Having considered the rentals of comparable offices in the nearby location, and the relocation costs which our Group may incur if we move out of the Sheppard Premises, the Finch Premises and the Kern Premises (collectively the "Premises"), our Directors consider that it is desirable and in the interests of our Company and Shareholders as a whole to continue using the Premises as office and retail branches in order to maintain the stable operation of our Group.

Our Directors confirm that the continuing connected transactions as set out above were (i) conducted on normal commercial terms; (ii) carried out in our Group's ordinary and usual course of business; and (iii) fair and reasonable, and in the interests of our Company and Shareholders as a whole. Our Directors, including the independent non-executive Directors, also confirm that the annual caps of all the continuing connected transaction above are fair and reasonable and in the interests of our Company and Shareholders as a whole.

Confirmation of independent non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions as set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of the Shareholders as a whole according to the Sheppard Tenancy Agreement, Finch Tenancy Agreement and Kern Tenancy Agreement. The related party transactions set out in Note 32 to the consolidated financial statements constitute continuing connected transactions of the Company and the Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules.

Confirmation from auditor of the Company

PricewaterhouseCoopers LLP, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The Board has received an unqualified letter from PricewaterhouseCoopers LLP with respect to the above continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and the letter stated that for the year ended December 31, 2018, the continuing connected transactions disclosed above:

a) nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

b) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

c) nothing has come to the auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d) with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to the auditor's attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The emoluments of the Directors are reviewed and approved by the Remuneration Committee, having regard to factors including salaries paid by comparable companies, time commitment, job duties and responsibilities in respect of the relevant positions. The Company has adopted the Share Option Scheme, details of which are set out in the paragraphs under the section headed "Share Option Scheme" in this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the code provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Year. For details, please refer to the Corporate Governance Report of the Company which is set out on pages 17 to 26 of this report.

The Company has adopted the Model Code as the securities dealing code for its Directors. Having made specific enquiry to all Directors, all Directors confirmed that they have fully complied with the required standards and provisions as set out in the Model Code during the period from the Listing Date to December 31, 2018.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors a confirmation of independence, and the Company considers that each of them is independent and has met the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of year ended December 31, 2018 and up to the date of this report, none of the Directors and their respective associates had any interests in a business, apart from the business of the Group, which competes or may compete with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of BVRTH, RT Group and Mrs. Tsang (the "Covenantors"), being the controlling Shareholders, has undertaken to the Company in the deed of non-competition (the "Deed of Non-competition") entered into by them in favour of the Company on June 4, 2018 that she/it will not, and will procure his/its close associates (as defined in the Listing Rules and other than members of the Group) not to directly or indirectly participate, acquire or hold any right or interest in or otherwise be involved in or undertake any business that directly or indirectly competes, or may compete, with the existing business activity or any business activities that the Group may undertake in the future, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the Covenantors hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the board of directors of such company. Details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed "Relationship with Our Controlling Shareholders".

The Company has received an annual written confirmation from the Covenantors in respect of their compliance with the Deed of Non-competition. The independent non-executive Directors have reviewed and were satisfied that each of the Covenantors has complied with the Deed of Non-competition during the year ended December 31, 2018.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles, every Director, auditor, secretary or other officers of the Company shall be entitled to be indemnified by the Company out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts.

The Company has taken appropriate insurance coverage in respect of Directors' and officers' liability throughout the year ended December 31, 2018.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the minimum public float of 25% as required under the Listing Rules.

RELIEF OF TAXATION

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

IMPORTANT EVENT AFTER THE END OF THE YEAR

There is no important event affecting the Group which has occurred since the year ended December 31, 2018 and up to the date of this report.

REPORT OF THE DIRECTORS

REVIEW OF THE ANNUAL RESULTS

The Audit Committee has reviewed the consolidated financial statements, the annual results announcement and this report of the Company for the Year and had submitted the same to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such Financial Statements, results announcement and annual report has complied with the applicable accounting standards, the Listing Rules and that adequate disclosure had been made.

AUDITORS

PricewaterhouseCoopers in Hong Kong ceased to serve as the auditor of the Company with effect from December 21, 2018 and PricewaterhouseCoopers LLP in Canada has been appointed as the new auditor of the Company with effect from December 21, 2018 for the financial year ending December 31, 2018 to fill the casual vacancy. For details, please refer to the announcement of the Company dated December 24, 2018.

A resolution will be proposed at the AGM to appoint PricewaterhouseCoopers LLP as the external auditors of the Company until the conclusion of the next annual general meeting of the Company and to authorise the Board to fix their remuneration.

On behalf of the Board

Mrs. Rita Pik Fong Tsang
CTEH INC.
Chairperson and executive Director

Hong Kong, March 28, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of CTEH INC.
(incorporated in Ontario, Canada and continued in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of CTEH INC. (the Company) and its subsidiaries (the Group) set out on pages 46 to 109, which comprise:

- the consolidated statement of financial position as at December 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How our audit addressed the Key Audit Matters
Recognition of incentive commission receivables from airlines *Refer to notes 4 and 18 to the consolidated financial statements.* The Group recognized incentive commission receivables from airlines of HK$14,378,000 as at December 31, 2018. The Group earns incentive commission revenue from contracts with airlines. The determination of the amount of incentive commission earned in each reporting period requires estimation of the likelihood of achieving the performance obligations set in the contracts, including transaction volumes and growth targets being achieved. The Group uses estimates and assumptions based on experiences and historical results in assessing the amount of incentive commission receivable from airlines at year-end. We considered the recognition of incentive commission receivables from airlines to be a matter of most significance in our audit due to the magnitude thereof, the varying terms with airlines and also the judgments made by management in recognizing incentive commission receivables from airlines at year-end in relation to the level of achievement of the transaction volumes and growth targets set in the contracts with airlines.	Our audit procedures included, amongst others: • We tested the design and operating effectiveness of key controls relating to the reconciliation of internal air ticket sales records to third party records. • We tested, on a sampling basis, by tracing transactions from the internal air ticket sales records to third party records. • We tested, on a sampling basis, the amount of incentive commission receivable from the airline at year-end by tracing the amount to remittance information received from the airline and cash receipts after year-end. • We tested, on a sampling basis, the underlying inputs into the incentive commission receivable from the airline at year-end by tracing the transaction volumes achieved to internal air ticket sales records. We agreed targeted transaction volumes, growth targets and commission rates to those set in the underlying contract with the airline. We independently recalculated growth targets achieved and compared this to management's calculation, historical results and the accounting records of the Group.

Key Audit Matters	How our audit addressed the Key Audit Matters
Recoverability of deferred income tax assets arising from unused tax losses and carried forward tax deductions *Refer to notes 4 and 22 to the consolidated financial statements.* The Group recognized deferred income tax assets arising from unused tax losses and carried forward tax deductions of HK$17,607,000 as at December 31, 2018. Estimating the deferred income tax assets to be recognized requires a process that involves forecasting future years' taxable income and assessing the ability of the Group to utilise tax benefits through future earnings and tax structuring. We considered the recoverability of deferred income tax assets arising from unused tax losses and carried forward tax deductions to be a matter of most significance in our audit due to the magnitude thereof and the key assumptions used by management in forecasting future years' taxable income and assessing the ability of the Group to utilise tax benefits in the future.	Our audit procedures included, amongst others: • We assessed the reasonableness of management's forecast of future years' taxable income and key assumptions used in the forecast by comparing this to historical results of the Group and other relevant information. We performed a sensitivity analysis to assess the potential impact of reasonably possible downside changes in key assumptions. • With the assistance of our tax specialists, we assessed the reasonableness of management's tax structuring of the Group. • We tested the mathematical accuracy of management's underlying calculations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended December 31, 2017 were audited by another firm of auditors whose report, dated June 15, 2018, expressed an unmodified opinion on those statements.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John Simcoe.

PricewaterhouseCoopers LLP
Chartered Professional Accountants, Licensed Public Accountants
Toronto, Ontario, Canada

March 28, 2019

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 HK$'000	2017 HK$'000
Revenue	5	**149,181**	153,862
Cost of sales	7	**(45,493)**	(55,714)
Gross profit		**103,688**	98,148
Other income	6	**—**	15
Other gains/(losses), net	6	**456**	(808)
Selling expenses	7	**(18,456)**	(17,683)
Administrative expenses	7	**(67,710)**	(61,314)
Operating profit		**17,978**	18,358
Finance income	10	**1,049**	554
Finance costs	10	**(644)**	(1,015)
Finance income/(costs), net	10	**405**	(461)
Share of net losses of joint ventures	16	**(2,668)**	—
Profit before income tax		**15,715**	17,897
Income tax expense	11	**(4,620)**	(5,532)
Profit for the year		**11,095**	12,365
Other comprehensive loss			
Items that may be reclassified to profit or loss:			
– Currency translation differences		**(3,181)**	(761)
Other comprehensive loss for the year, net of tax		**(3,181)**	(761)
Total comprehensive income for the year attributable to owners of the Company		**7,914**	11,604
Basic and diluted earnings per share (HK$ Cents)	12	**1.1**	1.4

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018

	Notes	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
Non-current assets			
Property, plant and equipment	14	**5,819**	4,703
Intangible assets	15	**4,913**	4,299
Investments in joint ventures	16	**12,332**	—
Deferred income tax assets	22	**17,607**	6,829
		40,671	15,831
Current assets			
Trade receivables	18	**16,418**	28,228
Prepayments, deposits and other receivables	19	**73,414**	41,231
Available-for-sale financial assets	23	**—**	1,401
Income tax recoverable		**320**	235
Restricted term deposit	21	**—**	45,016
Cash and cash equivalents	20	**138,274**	65,417
		228,426	181,528
Total assets		**269,097**	197,359
EQUITY			
Equity attributable to the owners of the Company			
Share capital	24(a)	**120**	90
Share premium		**88,248**	—
Other reserve	24(b)	**(41,256)**	(41,256)
Exchange reserve		**5,979**	9,160
Retained earnings		**107,798**	96,703
Total equity		**160,889**	64,697

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018

	Notes	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	22	696	593
		696	593
Current liabilities			
Trade payables	25	35	25
Accruals and other payables	26(a)	103,519	94,801
Contract liabilities	26(b)	3,958	—
Bank borrowings	27	—	37,243
		107,512	132,069
Total liabilities		108,208	132,662
Total equity and liabilities		269,097	197,359

The consolidated financial statements on pages 46 to 109 were approved for issue by the Board of Directors on March 28, 2019 and were signed on its behalf.

Mrs. Rita Pik Fong Tsang
Executive Director, Chairperson

Ms. Annie Shuk Fong Tsu
Executive Director, Chief Executive Officer

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2018

	Attributable to owners of the Company					
	Share capital HK$'000 Note 24(a)	Share premium HK$'000 Note 24(a)	Other reserve HK$'000 Note 24(b)	Exchange reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at January 1, 2017	—	—	(96,086)	9,921	84,338	(1,827)
Comprehensive income						
Profit for the year	—	—	—	—	12,365	12,365
Other comprehensive loss						
Currency translation differences	—	—	—	(761)	—	(761)
Total comprehensive (loss)/income and other comprehensive loss for the year	—	—	—	(761)	12,365	11,604
Transaction with owners						
Exchange of redeemable preference shares upon Reorganisation (Note 28)	—	—	54,920	—	—	54,920
Incorporation of the Company (Note 24(a(i))	1	—	(1)	—	—	—
Issue of shares during Reorganisation (Note 24(a(ii))	89	—	(89)	—	—	—
Balance at December 31, 2017	90	—	(41,256)	9,160	96,703	64,697
Comprehensive income						
Profit for the year	**—**	**—**	**—**	**—**	**11,095**	**11,095**
Other comprehensive loss						
Currency translation differences	**—**	**—**	**—**	**(3,181)**	**—**	**(3,181)**
Total comprehensive (loss)/income and other comprehensive loss for the year	**—**	**—**	**—**	**(3,181)**	**11,095**	**7,914**
Total transactions with owners						
Issue of shares pursuant to the Share Offer,net (Note 24(a(iii))	**30**	**88,248**	**—**	**—**	**—**	**88,278**
Total transactions with owners, recognised directly in equity	**30**	**88,248**	**—**	**—**	**—**	**88,278**
Balance at December 31, 2018	**120**	**88,248**	**(41,256)**	**5,979**	**107,798**	**160,889**

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	29	10,803	20,769
Interest paid	10	(644)	(1,015)
Income tax paid		(9,786)	(18,803)
Net cash generated from operating activities		373	951
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(3,323)	(3,615)
Proceeds from sale of property, plant and equipment	29	85	—
Purchase of intangible assets	15	(3,489)	(3,361)
Decrease in restricted term deposit		45,121	—
Increase in investment in joint ventures		(15,000)	—
Interest received		1,049	185
Net cash generated from/(used in) investing activities		24,443	(6,791)
Cash flow from financing activities			
Proceeds from bank borrowings		—	36,036
Repayment of bank borrowings		(36,204)	(62)
Repayment of loans from shareholders		—	(29,707)
Proceeds from issue of shares pursuant to the Share Offer	24	108,000	—
Payment of listing expenses		(18,724)	(8,107)
Net cash generated from/(used in) financing activities		53,072	(1,840)
Net increase/(decrease) in cash and cash equivalents		77,888	(7,680)
Cash and cash equivalents at beginning of the year		65,417	71,160
Effect of currency translation differences		(5,031)	1,937
Cash and cash equivalents at end of the year		138,274	*65,417*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION

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 shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Listing**") on June 28, 2018 (the "**Listing Date**"). The consolidated financial statements are presented in Hong Kong dollar ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the Business was carried out by Tour East Holidays (Canada) Inc. ("**TE Canada**") and Tour East Holidays (New York) Inc. ("**TE New York**") (collectively the "**Operating Companies**"). Before the completion of the Reorganisation, the Operating Companies were collectively owned by Mrs. Rita Pik Fong Tsang ("**Mrs. Tsang**"), Ms. Annie Shuk Fung Tsu ("**Ms. Tsu**") and Dr. Kwok Chun Dennis Chu ("**Dr. Chu**") and ultimately controlled by Mrs. Tsang immediately before and after the Reorganisation prior to the Listing.

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Operating Companies underwent the Reorganisation by inserting a new holding (the "**Company**") and intermediate holding companies to the Business via share to share swap. The following transactions were carried out:

(i) On August 1, 2017, BVTEHC Inc. ("**BVTEHC**") was incorporated under the laws of Ontario, Canada. Upon incorporation, one share of the company was allotted and issued to Rita Tsang Group Holdings Inc. ("**RT Group**"), which is owned by Mrs. Tsang.

(ii) On August 18, 2017, the Company was incorporated under the laws of Ontario, Canada and registered by way of continuation in the Cayman Islands from 20 October 2017. On the same date (i.e. August 18, 2017), one share of the Company was allotted and issued to RT Group, which is owned by Mrs. Tsang.

(iii) On August 1, 2017, BVTEHU Inc. ("**BVTEHU**") was incorporated under the laws of Ontario, Canada. On August 19, 2017, one share of BVTEHU was allotted and issued to the Company.

(iv) On September 18, 2017, 1134351 B.C. Unlimited Liability Company ("**1134351 B.C.**") was incorporated under the laws of British Columbia, Canada. Upon incorporation, one share of the company was allotted and issued to AT Horizons Holdings Inc. ("**AT Holdings**"), which is owned by Ms. Tsu.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION *(CONTINUED)*

(v) On October 9, 2017, there was a number of transfer and redemption of preference shares of TE Canada, including:

a. CC Connect Holdings Inc., which is owned by Mrs. Tsang, and Mrs. Tsang transferred 2,800,000 and 1,400,000 Class A preference shares of TE Canada to RT Group, respectively.

b. TE Canada redeemed 775 Class C special shares of TE Canada held by Mrs. Tsang which was fully settled in cash.

c. Ms. Tsu and Dr. Chu transferred 2,100,000 and 700,000 Class A preference shares of TE Canada to AT Holdings and Dennis Chu Holdings Inc. ("**DC Holdings**"), respectively. Upon the completion of the aforementioned transfers and redemptions of preference shares, all Class A preference shares of TE Canada are held by RT Group, AT Holdings and DC Holdings which are owned by Mrs. Tsang, Ms. Tsu and Dr. Chu, respectively, while all Class C preference shares of TE Canada were redeemed.

(vi) On October 9, 2017, RT Group, AT Holdings and DC Holdings transferred all their common shares and Class A preference shares of TE Canada to BVTEHC which was settled by BVTEHC issuing and allotting 59, 30 and 10 common shares to RT Group, AT Holdings and DC Holdings, respectively. On the same date, BVTEHC exchanged its 7,000,000 Class A preference shares of TE Canada for seven common shares of TE Canada. Since then, TE Canada becomes a wholly owned subsidiary of BVTEHC.

(vii) On October 9, 2017, RT Group, AT Holdings and DC Holdings transferred all their common shares of TE New York to 1134351 B.C. which was settled by 1134351 B.C. issuing and allotting 60, 29 and 10 common shares to RT Group, AT Holdings and DC Holdings, respectively. Since then, TE New York becomes a wholly owned subsidiary of 1134351 B.C.

(viii) On October 9, 2017, RT Group, AT Holdings and DC Holdings transferred their respective common shares of BVTEHC to the Company which was settled by the Company issuing and allotting 496,799,999, 248,400,000 and 82,800,000 shares of the Company to RT Group, AT Holdings and DC Holdings, respectively. On the same date, RT Group, AT Holdings and DC Holdings transferred their respective common shares of 1134351 B.C. to the Company which was settled by the Company issued and allotted 43,200,000, 21,600,000 and 7,200,000 shares to RT Group, AT Holdings and DC Holdings, respectively. Since then, TE Canada and TE New York become wholly owned subsidiaries of the Company.

(ix) On October 9, 2017, the Company transferred its 100 common shares of BVTEHC and 100 common shares of 1134351 B.C. to BVTEHU which was settled by BVTEHU issuing and allotting 100 common shares of BVTEHU to the Company. Since then, BVTEHU becomes holding company of both BVTEHC and 1134351 B.C.

Immediately prior to and after the Reorganisation, the Business was held by the Operating Companies, which were collectively owned by Mrs. Tsang, Ms. Tsu and Dr. Chu and ultimately controlled by Mrs. Tsang, who owned and controlled the companies now comprising the Group before the Reorganisation and continues to own and control these companies after the Reorganisation. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. Accordingly, the Reorganisation has been accounted for as a recapitalisation of a business. The consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the current group structure had been in existence for the year ended December 31, 2017 or since the respective dates when these companies first came under the control of the controlling shareholder of the companies, whichever is the shorter period.

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.

2.1 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. The consolidated financial statements of the Group have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of consolidated financial statements of the Group in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(i) New and amended standards adopted by the Group

A number of new or amended 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 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2.3 below.

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after January 1, 2018 but did not result in any significant impact on the results and financial position of the Group. No retrospective adjustments are required.

IFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (Amendment)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 28 (Amendments)	Investment in Associates and Joint Ventures
IAS 40 (Amendments)	Transfers of Investment Property
Annual improvement project	Annual Improvements 2014-2016 Cycle
IFRIC -Int 22	Foreign Currency Transactions and Advance Consideration

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1 Basis of preparation *(continued)*

(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 are mandatory for accounting periods beginning on or after January 1, 2019.

		Effective for accounting periods beginning on or after
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	January 1, 2019
IFRIC - Int 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 16	Leases	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

(a) IFRS 16, Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$5,559,000 (Note 31). The Group does not foresee any material impact on the net profit of the Group as a result of adoption of IFRS 16.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for first interim period within annual reporting periods beginning on or after January 1, 2019. The Group does not intend to adopt the standard before its effective date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1.1 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's consolidated interim financial information and also discloses the new accounting policies that have been applied from January 1, 2018, where they are different to those applied in prior periods.

(a) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from January 1, 2018 resulted in changes in accounting policies.

(i) Classification and measurement

On January 1, 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. All classes of financial assets and financial liabilities had the same carrying amounts in accordance with IAS 39 and IFRS 9 on January 1, 2018.

	FVTPL *HK$'000*	AFS *HK$'000*
Closing balance December 31, 2017 - IAS 39	—	1,401
Reclassify non-trading debt instrument from available-for-sale ("**AFS**") to fair value through profit or loss ("**FVTPL**")	1,401	(1,401)
Opening balance January 1, 2018 - IFRS 9	1,401	—

(a) Reclassification from AFS to FVTPL

The debt instrument was reclassified from AFS to FVTPL. It does not meet the IFRS 9 criteria for classification at amortised cost or fair value through other comprehensive income ("**FVOCI**"), because its cash flows do not represent solely payments of principal and interest and the instrument has a definite life. There were no changes in fair value of the instruments in previous years, therefore no adjustment was recorded to opening equity due to reclassification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1.1 Changes in accounting policies *(continued)*

(a) IFRS 9 Financial Instruments – Impact of adoption (continued)

(ii) Impairment of financial assets

The Group's significant financial assets which are subject to the new expected credit loss model include trade receivables and deposits and other receivables. The Group was required to revise its impairment methodology under IFRS 9 for these classes of financial assets.

While cash and cash equivalents is also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For deposits and other receivables, management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which is close to zero.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of the simplified expected loss approach under IFRS 9 has not resulted in any additional impairment loss for trade receivables as at January 1, 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.1.1 Changes in accounting policies *(continued)*

(b) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from contracts with Customers from January 1, 2018 which resulted in changes in accounting policies. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.

The effects of the adoption of IFRS 15 are related to presentation of contract liabilities. Reclassifications were made as at January 1, 2018 to be consistent with the terminology used under IFRS 15:

- Contract liabilities for deferred revenue were previously presented as accruals and other payables.

In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application on January 1, 2018:

	IAS 18 carrying amount as at December 31, 2017 HK$'000	Reclassification HK$'000	**IFRS 15 carrying amount as at January 1, 2018 HK$'000**
Consolidated statement of financial position (extract)			
Accruals and other payables	94,801	(7,132)	**87,669**
Contract liabilities	—	7,132	**7,132**

2.2 Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.2 Consolidation *(continued)*

(ii) Joint arrangements

Under IFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounting for using the equity method.

The joint venture agreements require unanimous consent from all parties for all relevant activities. The entity operates at a form of a separate vehicle. This entity is therefore classified as a joint ventures. Interests in joint ventures are accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated statement of financial position.

(iii) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive directors of the Company who make strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The consolidated financial statements are presented in HK$, which is the Company's functional and presentation currency. The Group's operating companies functional currencies are the Canadian dollar ("**CAD**") and the United States dollars ("**USD**").

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.5 Foreign currency translation *(continued)*

(b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income within "other gains/(losses), net".

(c) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each consolidated statement of comprehensive income are translated at average rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and included within the exchange reserve.

On the disposal of the Group's entities, or a disposal involving loss of control over a subsidiary, all of the exchange differences accumulated in equity in respect of that operation attributable to the Company's equity holders are reclassified to the profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance are charged in profit or loss during the Track Record Period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

Leasehold improvements	5 years or over the lease term, whichever is shorter
Furniture, fixtures and office equipment	5 years
Computer equipment	3 years
Motor vehicles	3 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.6 Property, plant and equipment *(continued)*

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets and are recognised within "other gains/(losses), net" in the consolidated statement of comprehensive income.

2.7 Intangible assets

(a) Computer software

Computer software is stated at cost less accumulated amortisation and impairment. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are amortised over their estimated useful lives of three years using the straight-line method.

(b) Research and development expenditures

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. There were no development costs meeting these criteria and capitalised as intangible assets during the Track Record Period.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.8 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is recorded in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks.

2.12 Restricted term deposit

In the consolidated statement of financial position, the restricted term deposit is separately presented from cash and cash equivalents.

2.13 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities (Note 2.19).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs directly attributable to the acquisitions, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of comprehensive income in the period in which they are incurred.

2.17 Redeemable preference shares

Redeemable preference shares are classified as equity if it is redeemable only at the Group's option, and any dividends are discretionary. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Redeemable preference shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised at fair value if it is designated at fair value through profit or loss on initial recognition, or in accordance with the Group's policy for interest-bearing borrowings set out in Note 2.15 and accordingly dividends thereon are recognised on an accrual basis in the consolidated statement of comprehensive income as part of interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.18 Current and deferred income tax

The tax expense for the year comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and deferred income tax liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority and when there is an intention to settle the balances on a net basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.19 Provisions

Provisions are only recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension

The Group maintains a number of defined contribution retirement benefit plans organised by relevant government authorities for its employees in Canada and the U.S. and contributes to these plans based on a certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The assets of the retirement benefit are held separately from those of the Group in an independently administrated fund. The retirement plans are generally funded by payments from employees and by the Group.

The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.20 Employee benefits *(continued)*

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) Bonuses

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.21 Revenue from Contracts with Customers – Accounting policies applied from January 1, 2018

Revenue is measured at the fair value of the considerations received or receivable, and represents amounts receivable for services rendered, stated net of discounts and rebates, value added tax and other sales related taxes. The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

Revenue of the Group mainly represents margin income and incentive commissions from airlines, travel business process management from travel companies, sales of package tours and margin income from sales of other s and services, e.g. non-guided customised tours, hotel plus flight packages, car rentals, travel insurance. Specifically, revenue is recognised as follows:

- Margin income is recognised at the time of ticketing of the travel arrangement; incentive commissions are recognised based on management's estimate of the expected achievement of specific targets and thresholds specified in contracts with airlines;
- Travel business process management fees are recognised at the time as services are performed;
- Revenue from sales of company-operated package tours is recognised when the services are rendered by the Group on a straight-line basis over the duration of the tours, a contract liability is recognised when the customer pays consideration before the Group recognises the related revenue; and
- Margin income from sales of other travel products and services is recognised upon booking.

Deferred revenue from loyalty program represents outstanding customer loyalty credits, which are accounted for as a separate identifiable component of the initial sales transaction in which they are granted. The revenue from the loyalty program is recognised when the points are redeemed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.21 Revenue from Contracts with Customers – Accounting policies applied from January 1, 2018 *(continued)*

Determining whether the Group is acting as a principal or as an agent requires consideration of all relevant facts and circumstances, including whether (1) the Group is the primary obligor in the provision of underlying services; (2) the Group retains the inventory risk before and after the customer orders, during the provision of services or on return; and (3) the Group has latitude in establishing prices. The Group's management performed the assessment based on the above mentioned factors on each revenue stream.

For contract where the period between the payment by the customer and the transfer of the promised services exceeds one year, the transaction price is adjusted for the effects of a significant financing component.

2.22 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in profit or loss on a straight-line basis over the period of the lease.

2.23 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of subsidiaries to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is nil because all guarantees are agreed on arm's length terms, and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgement. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated statement of comprehensive income within other operating expenses.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.24 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018

(i) Classification

From January 1, 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.25 IFRS 9 Financial Instruments – Accounting policies applied from January 1, 2018 *(continued)*

(ii) Measurement (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the consolidated statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other losses, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other losses, net, and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other losses, net, in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other losses, net, in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iii) Impairment

The impairment of financial assets has changed from the incurred loss model under IAS 39 to the expected credit loss model under IFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

2.26 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, including market performance conditions; excluding the impact of any service and non-market performance vesting conditions; and including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(b) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

There was no share option granted during the year ended December 31, 2018 (2017: nil).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including market risk (including foreign exchange risk and cash flow interest rate risk), credit risk, and liquidity risk. The Group's overall risk management approach focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign exchange risk

The Group operates principally in Canada and the U.S. and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar ("**USD**"). Foreign exchange risk arises from future commercial transactions and recognised financial assets and liabilities.

The Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposures.

The table below summarises the financial assets denominated in foreign currencies other than the respective group companies' functional currencies at each reporting date:

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
Assets		
USD	**5,833**	7,022
Others	**77**	82
	5,910	7,104

The Group did not have any financial liabilities denominated in foreign currencies other than the respective group companies' functional currencies at each reporting date.

As at December 31, 2018 and 2017, if the USD had strengthened/weakened by 10% with all other variables held constant, the post-tax profit would have been approximately HK$429,000 higher/lower and HK$516,000 higher/lower respectively, as a result of foreign exchange gains/losses on revaluation of the USD denominated net assets.

(ii) Cash flow interest rate risk

The Group's interest rate risk arises from borrowings. Bank borrowings denominated in USD are subject to floating interest rates at the U.S. prime rate plus 1.5% up to December 31, 2018. Bank borrowings denominated in CAD are subject to floating interest rates at the Canadian prime rate.

The borrowings were repaid on July 10, 2018. As at December 31, 2017, if interest rates on borrowings had been 50 basis points higher or lower with all other variables held constant, the impact on the Group's post-tax profit for the year would have been approximately HK$137,000 lower or higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

The credit risk of the Group mainly arises from trade receivables, deposits and other receivables, amounts due from a related company and cash at banks. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets. In respect of cash deposited at banks, the credit risk is considered to be low as the counterparties are reputable banks.

The majority of the Group's receivables are in relation to margin income from sales of air ticket and incentive commissions from airlines, company-operated tours sold to sub-agents and travel business process management earned from travel companies.

The Group has policies in place to ensure that sales are made to reputable and creditworthy customers with an appropriate financial strength, credit history and appropriate percentage of down payments. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

As at December 31, 2018 and 2017, the top three debtors accounted for approximately 37% and 62% of the Group's trade receivables balance respectively. The Group has set up long-term cooperative relationships with these debtors. In view of this history of business dealings with the debtors and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivables balance due from these debtors. Management makes periodic assessments on the recoverability of the trade and other receivables based on historical payment records, the length of overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. Management considers the Group's credit risk for these receivables to be low.

For amount due from a related company, management is of the opinion that the credit risk is low due to the sound collection history of the receivables due from the counterparty. The extent of credit risk of the Group's trade receivables is disclosed in Note 18.

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

The liquidity position of the Group is significantly influenced by the booking and payment pattern of customers and airlines. The Group manages the seasonal nature of its liquidity by maintaining sufficient cash and cash equivalents, which are generated from the operating activities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On demand or within 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total HK$'000
As at December 31, 2018				
Trade payables	**35**	**—**	**—**	**35**
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	**103,519**	**—**	**—**	**103,519**
Contract liabilities	**3,958**	**—**	**—**	**3,958**
	107,512	**—**	**—**	**107,512**
As at December 31, 2017				
Trade payables	25	—	—	25
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	85,118	—	—	85,118
Bank borrowings and interest payments	38,360	—	—	38,360
	123,503	—	—	123,503

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt, if any.

The Group monitors capital on the basis of the debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings as shown in the consolidated statement of financial position less cash and cash equivalents. Total capital is calculated as "equity/(deficit)", as shown in the consolidated statement of financial position.

The debt-to-equity ratios were as follows:

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
Bank borrowings (Note 27)	**–**	37,243
Less:		
Cash and cash equivalents (Note 20)	**(138,274)**	(65,417)
Net debt/(cash)	**(138,274)**	(28,174)
Total (deficit)/equity	**160,889**	64,697
Debt-to-equity ratio	**N/A**	N/A

The Group's strategy is to maintain healthy current ratio and debt-to-equity ratio, and sufficient cash and cash equivalents to support the operations and development of its business in the long term.

As at December 31, 2018 and 2017, the Group has banking facilities available in the form of letters of guarantee of HK$89,011,000 and HK$195,932,000, and in the form of a demand non-revolving loan of HK$17,222,000 and HK$68,478,000, respectively. For the year ended December 31, 2018, the Group is in compliance with all banking covenants (Note 27).

3 FINANCIAL RISK MANAGEMENT *(CONTINUED)*

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at December 31, 2018 and 2017, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets that are measured at fair value as at December 31, 2018 and 2017.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at December 31, 2018				
Assets				
Financial assets at fair value through profit or loss	–	–	–	–
As at December 31, 2017				
Assets				
Available-for-sale financial assets	1,401	–	–	1,401

The available-for-sale financial assets mainly represent a government bond issued by the Canadian government, which was matured on December 1, 2018 (Note 23). The fair value is determined with reference to a quoted price in active markets.

The management of the Group considers that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values due to their short maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition for incentive commissions

The Group earns incentive commissions revenue from contract with airlines. The determination of the amount of incentive commissions earned in each reporting period requires estimation of the likelihood of achieving the performance obligations set in the contracts including transaction volumes and growth targets being achieved.

The amount of revenue recognised for each period is the total anticipated revenue earned at “point-in-time”on the achievement of the targets explained above with the transaction price set in the contract. The Group uses estimates and assumptions based on experiences and historical results in assessing the amount of incentive commissions earned during the period.

For the years ended and as at December 31, 2018 and 2017, the Group has incentive commissions revenue of HK$41,926,000 and HK$54,582,000, and incentive commissions receivables of HK$14,378,000 and HK$27,329,000 respectively (Note 18).

(b) Recognition of deferred tax asset

At December 31, 2018, a deferred tax asset of HK$17,607,000 (2017: HK$6,829,000) in relation to unused tax losses was recognised in the consolidated financial statements, over which HK$10,778,000 (2017: HK$6,674,000) was recognised in relation to the listing expenses incurred which will be deductible for tax purposes in the future under Canadian tax regulations. Estimating the deferred tax asset to be recognised requires a process that involves determining appropriate tax provisions, forecasting future years’ taxable income and assessing the ability to utilise tax benefits through future earnings and tax structuring. In cases where the actual future profits generated are less than expected, a material reversal of the deferred tax asset may arise, which would be recognised in profit or loss for the period in which such a reversal takes place. The current financial models indicate that the tax losses can be utilised in the foreseeable future. Management believes that any reasonable changes in the model assumptions would not affect management’s view. However, any unexpected changes in assumptions and estimates in tax regulations could affect the recoverability of this deferred tax asset in the future.

5 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

The performance of the operating segments is assessed based on segment revenue and a measure of segment operating results. Unallocated administrative expenses, other gains/(losses), net, other income, 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.

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

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

	Year ended December 31, 2017			
	Air ticket distribution HK$'000	Travel business process management HK$'000	Travel products and services HK$'000	Total HK$'000
Revenue from external customers	92,863	28,849	32,150	153,862
Time of revenue recognition				
At a point in time	92,863	28,849	3,953	125,665
Over the time	—	—	28,197	28,197
	92,863	28,849	32,150	153,862
Segment results	45,267	17,905	2,333	65,505
Other income				15
Other losses, net				(808)
Administrative expenses				(46,354)
Finance costs, net				(461)
Profit before income tax				17,897
Income tax expense				(5,532)
Profit for the year				12,365
Other segment items:				
Depreciation and amortisation	1,071	509	492	2,072
Capital expenditure	2,657	1,262	1,219	5,138

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

	Year ended December 31,	
	2018 HK$'000	2017 HK$'000
Company A	**24,340**	23,297
Company B	*	29,423

* Represents the amount of revenue from such customer which is less than 10% of the total revenue of that year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION *(CONTINUED)*

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:

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Canada	**120,023**	142,946
United States	**29,158**	10,916
	149,181	153,862

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

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Canada	**149,860**	173,381
United States	**38,831**	23,978
Hong Kong	**80,406**	—
	269,097	197,359

All non-current assets, other than deferred income tax assets of approximately HK$157,000 (2017: HK$155,000) and investment in joint ventures of approximately HK$12,332,000 for the years ended December 31, 2018 (2017:nil), are located in Canada and Hong Kong respectively.

6 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Other income		
Insurance pay out	**—**	15
Other gains/(losses), net		
Foreign exchange gain/(loss)	**371**	(808)
Gain on disposal of property, plant and equipment	**85**	—
	456	(808)

7 EXPENSES BY NATURE

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Cost of package tours and tickets	**24,194**	28,111
Employee benefit expenses (including directors' emoluments) (Note 8)	**52,093**	55,380
Office, telecommunication and utility expenses	**3,539**	3,689
Operating lease rental payments	**2,862**	2,468
Advertising and promotion	**3,191**	4,269
Credit card fees	**1,280**	920
Auditor's remuneration		
– Audit service	**2,002**	237
– Non-audit service	**599**	17
Depreciation of property, plant and equipment (Note 14)	**1,762**	1,354
Amortisation of intangible assets (Note 15)	**2,489**	1,456
Legal and professional fees	**1,021**	202
Service fees	**8,191**	8,119
Listing expenses	**18,068**	19,571
Others	**10,368**	8,918
Total cost of sales, selling and administrative expenses	**131,659**	134,711

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Directors' fees, salaries, bonuses and allowances	**48,255**	50,952
Pension costs	**1,670**	1,828
Other employee benefits	**2,168**	2,600
	52,093	55,380

The employees of the Group in Canada are members of the Canada Pension Plan operated by the Canadian government. The Group is required to contribute 4.95% of payroll costs to a retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

The employees of the Group in the United States are members of the social security operated by the United States government. The Group is required to contribute 6.2% of payroll costs to a retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement scheme is to make the specified contributions.

During the year ended December 31, 2018, there are no forfeited contributions available to offset future retirement benefit obligations of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(CONTINUED)*

(a) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included two (2017: two) Directors for the years ended December 31, 2018 and December 31, 2017. The emoluments of these Directors are reflected in the analysis shown in Note 32(a). The emoluments paid/payable to the remaining three (2017: three) non-director highest paid individuals during year are as follows:

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits	**3,075**	2,678
Pension costs	**46**	46
	3,121	2,724

The emoluments paid/payable to the non-director highest paid individuals fell within the following bands for the years ended December 31, 2018 and 2017 is as follows:

	Year ended December 31,	
	2018	2017
Emolument bands		
Nil to HK$500,000	**—**	—
HK$500,001 to HK$1,000,000	**2**	2
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**—**	—
	3	3

There were no amounts paid or receivable by the aforementioned three highest paid individuals as an inducement to join or upon joining the Group during the year ended December 31, 2018 (2017: same).

There was no compensation paid or receivable by the aforementioned three highest paid individuals for the loss of any office in connection with the management of the affairs of the Company and its subsidiaries during the year ended December 31, 2018 (2017: nil).

9 DIRECTORS' BENEFITS AND INTERESTS

The remuneration of each Director of the Company paid/payable by the Group for the years ended December 31, 2018 and 2017 is set out below:

Year ended December 31, 2018

Name	Fees HK$'000	Salaries, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Pension costs - defined contribution plan HK$'000	Total HK$'000
Executive Directors					
Mrs. Rita Pik Fong Tsang (Chairperson)	–	2,603	–	–	2,603
Ms. Annie Shuk Fong Tsu (Chief Executive Officer)	–	4,022	–	–	4,022
Non-executive Director					
Dr. Kwok Chun Dennis Chu	486	–	–	–	486
Independent Non-executive Directors ("**INED**")					
Dr. Michael Edward Ricco	76	–	–	–	76
Mrs. Kitty Yuk-Yee Yeung	76	–	–	–	76
Mr. Sik Yuen Lau	122	–	–	–	122
	760	6,625	–	–	7,385

Year ended December 31, 2017

Name	Fees HK$'000	Salaries, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Pension costs - defined contribution plan HK$'000	Total HK$'000
Executive Directors					
Mrs. Rita Pik Fong Tsang (Chairperson)	361	2,168	–	–	2,529
Ms. Annie Shuk Fong Tsu (Chief Executive Officer)	361	2,168	–	–	2,529
Non-executive Director					
Dr. Kwok Chun Dennis Chu	361	–	–	–	361
	1,083	4,336	–	–	5,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 DIRECTORS' BENEFITS AND INTERESTS *(CONTINUED)*

Notes:

(i) Mrs. Rita Pik Fong Tsang and Ms. Annie Shuk Fong Tsu were appointed as executive Directors on May 7, 2018

(ii) Dr. Kwok Chun Dennis Chu was appointed as non-executive Director on May 7, 2018.

(iii) Mrs. Rita Pik Fong Tsang was appointed as the Chairman of the Company on May 7, 2018.

(iv) Ms. Annie Shuk Fong Tsu was appointed as the Chief Executive Officer of the Company on May 7, 2018.

(v) Dr. Michael Edward Ricco, Mrs. Kitty Yuk-Yee Yeung and Mr. Sik Yuen Lau were appointed as INEDs on May 7, 2018.

The Group has not paid consideration to any third parties for making available Directors' services during the year ended December 31, 2018 (2017: nil).

As at December 31, 2018 and 2017, there were no loans, quasi-loans and other dealing arrangements in favour of the Directors, bodies corporate controlled by and connected entities with the Directors.

Save as disclosed in Note 32 to the consolidated financial statement, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at December 31, 2018 or at any time during the year ended December 31, 2018 (2017: nil).

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year ended December 31, 2018 (2017: nil).

There were no amounts paid or receivable by Directors as an inducement to join or upon joining the Group during the year ended December 31, 2018 (2017: nil).

There was no compensation paid or receivable by Directors or past Directors for the loss of office as a Director or for the loss of any other office in connection with the management of the affairs of the Company and its subsidiaries during the year ended December 31, 2018 (2017: nil).

There were no other emoluments payable to the independent non-executive during the year ended December 31, 2018 (2017: nil).

10 FINANCE INCOME/(COSTS), NET

	Year ended December 31,	
	2018 HK$'000	2017 HK$'000
Finance income		
– Interest income	**1,049**	554
Finance costs		
– Interest expense on loans from shareholders	**–**	(448)
– Interest expense on bank borrowings	**(644)**	(567)
	(644)	(1,015)
Finance income/(costs), net	**405**	(461)

11 INCOME TAX EXPENSE

Canadian corporate income tax has been provided at the rate of 26.5% for the year ended December 31, 2018 (2017: 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, 2018 (2017: 34%) on the Group's respective taxable income and the United States state and city tax has been calculated on the estimated assessable profit at 8.85% for the year ended December 31, 2018 (2017: 9.78%).

On December 22, 2017, the 2017 Tax Cuts and Jobs Act ("**Tax Act**") was enacted into law making significant changes to the Internal Revenue Code. Changes include, but not limited to, a decrease in the federal income tax rate for tax years beginning after December 31, 2017, the transition of the U.S. international taxation from a worldwide tax system to a territorial system and a one-time transition tax on the mandatory deemed repatriation of foreign earnings. The Group is required to recognise the effect of the tax law changes in the year of enactment, such as re-measuring the deferred tax assets and liabilities as well as reassessing the net realisability of the deferred tax assets and liabilities of the company in the United States. Management has assessed the impact of the Tax Act and does not expect to have any material impact to the Group.

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Current income tax		
– Canadian corporate income tax	**10,024**	7,927
– United States federal income tax	**42**	1,310
– United States state income tax	**156**	420
– (Over)/under provision in prior years	**(550)**	709
Deferred income tax (Note 22)	**(5,052)**	(4,834)
Income tax expense	**4,620**	5,532

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates applicable to profits of the entities under the Group as follows:

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Profit before income tax	**15,715**	17,897
Tax calculated at domestic tax rates applicable to profits in the respective countries	**5,093**	4,989
Income not subject to tax	**—**	(167)
Expenses not deductible for tax purposes	**77**	1
(Over)/under provision in prior years	**(550)**	709
Income tax expense	**4,620**	5,532

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 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 24. In determining the weighted average number of ordinary shares, 900,000,000 shares of the Company, which resulted from the issue and allotment of 900,000,000 shares by the Company in connection with the reorganisation had been treated as if such shares were issued on January 1, 2017.

	Year ended December 31,	
	2018	2017
Profit attributable to owners of the Company (HK$'000)	**11,095**	12,365
Weighted average number of ordinary shares in issue (Number of shares in thousand)	**1,053,699**	900,000
Basic and diluted earnings per shares (HK$ Cents)	**1.1**	1.4

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, 2018 and 2017, the Group has no dilutive potential ordinary shares.

13 DIVIDEND

On March 28, 2019, the Board resolved to propose 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 May 28, 2019. This proposed dividend is not reflected as a dividend payable in the consolidated financial information.

14 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended December 31, 2017					
Cost					
As at January 1, 2017	1,233	3,446	3,701	405	8,785
Additions	2,136	516	963	—	3,615
Disposals	—	(1,605)	(162)	—	(1,767)
Exchange differences	168	233	316	32	749
As at December 31, 2017	3,537	2,590	4,818	437	11,382
Accumulated depreciation					
As at January 1, 2017	567	2,923	2,695	405	6,590
Charge for the year	393	188	773	—	1,354
Disposals	—	(1,605)	(162)	—	(1,767)
Exchange differences	58	180	232	32	502
As at December 31, 2017	1,018	1,686	3,538	437	6,679
Net book amount	2,519	904	1,280	—	4,703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended December 31, 2018					
Cost					
As at January 1, 2018	3,537	2,590	4,818	437	11,382
Additions	2,964	144	215	–	3,323
Disposals	–	(184)	–	(425)	(609)
Exchange differences	(427)	(199)	(387)	(12)	(1,025)
As at December 31, 2018	6,074	2,351	4,646	–	13,071
Accumulated depreciation					
As at January 1, 2018	1,018	1,686	3,538	437	6,679
Charge for the year	738	234	790	–	1,762
Disposals	–	(184)	–	(425)	(609)
Exchange differences	(117)	(134)	(317)	(12)	(580)
As at December 31, 2018	1,639	1,602	4,011	–	7,252
Net book amount	4,435	749	635	–	5,819

Depreciation is included in the following categories in the consolidated statement of comprehensive income:

	Year ended December 31,	
	2018 HK$'000	2017 HK$'000
Selling expenses	**1,262**	998
Administrative expenses	**500**	356
	1,762	1,354

15 INTANGIBLE ASSETS

	Computer software HK$'000
Year ended December 31, 2017	
Cost	
As at January 1, 2017	4,658
Additions	3,361
Exchange differences	476
As at December 31, 2017	8,495
Accumulated amortisation	
As at January 1, 2017	2,497
Charge for the year	1,456
Exchange differences	243
As at December 31, 2017	4,196
Net book amount	4,299
Year ended December 31, 2018	
Cost	
As at January 1, 2018	**8,495**
Additions	**3,489**
Exchange differences	**(840)**
As at December 31, 2018	**11,144**
Accumulated amortisation	
As at January 1, 2018	**4,196**
Charge for the year	**2,489**
Exchange differences	**(454)**
As at December 31, 2018	**6,231**
Net book amount	**4,913**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS *(CONTINUED)*

Amortisation is included in the following categories in the consolidated statement of comprehensive income:

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Selling expenses	**1,783**	1,074
Administrative expenses	**706**	382
	2,489	1,456

16 INTERESTS IN JOINT VENTURES

As at December 31, 2018, the Company had the following principal joint ventures:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Attributable interest to the Group (%)
Triplabs Limited	Hong Kong	Engaged in tourism and travel technology related businesses, Hong Kong	200,000 common shares	50%

(a) Share of net assets of joint ventures

	Year ended December 31,
	2018
	HK$'000
Beginning of the year	**—**
Capital injection in a joint venture	**15,000**
Share of results of joint ventures	**(2,668)**
End of the year	**12,332**

Set out below is the summary of the financial information for the joint venture of the Group.

16 INTERESTS IN JOINT VENTURES *(CONTINUED)*

(a) Share of net assets of joint ventures *(Continued)*

Summarised the statement of financial position

	As at December 31, 2018 HK$'000
Assets	
Non-current assets	637
Current assets	
Cash and cash equivalents	12,918
Financial assets held at fair value through profit and loss	11,250
	24,168
Total assets	24,805
Liabilities	
Current liabilities	
Other current liabilities	140
Total liabilities	140
Net assets	24,665
Group share in %	50%
Group share in Net assets	12,332

Summarised statement of comprehensive income

	For the three-months ended December 31, 2018 HK$'000
Administrative expenses	(5,373)
Share of results of a joint venture	(11)
	(5,384)
Income tax credit	48
Loss after tax	(5,336)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables HK$'000	Financial assets at fair value through profit or loss HK$'000	Total HK$'000
Assets as per consolidated statement of financial position			
As at December 31, 2018			
Trade receivables	**16,418**	**—**	**16,418**
Deposits and other receivables	**69,413**	**—**	**69,413**
Cash and cash equivalents	**138,274**	**—**	**138,274**
Total	**224,105**	**—**	**224,105**

	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
As at December 31, 2017			
Trade receivables	28,228	—	28,228
Deposits and other receivables	30,019	—	30,019
Available-for-sale financial asset	—	1,401	1,401
Restricted term deposit	45,016	—	45,016
Cash and cash equivalents	65,417	—	65,417
Total	168,680	1,401	170,081

17 FINANCIAL INSTRUMENTS BY CATEGORY *(CONTINUED)*

	Liabilities at amortised cost HK$'000
As at December 31, 2018	
Trade payables	**35**
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	**101,677**
Total	**101,712**
As at December 31, 2017	
Trade payables	25
Accruals and other payables (excluding non-financial liabilities and accruals for employee benefit expenses)	85,118
Bank borrowings	37,243
Total	122,386

18 TRADE RECEIVABLES

	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
Incentive commission receivables	**14,378**	27,329
Other trade receivables	**2,040**	899
	16,418	28,228

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 TRADE RECEIVABLES *(CONTINUED)*

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

	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
0 to 60 days	**16,304**	27,746
61 to 120 days	**—**	228
121 to 180 days	**—**	90
181 to 365 days	**114**	164
	16,418	28,228

As at December 31, 2018, trade receivables of HK$114,000 (2017: HK$482,000) 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:

	As at December 31,	
	2018 HK$'000	2017 HK$'000
Overdue		
Less than 30 days	**—**	—
31 to 90 days	**—**	228
Over 90 days	**114**	254
	114	482

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

	As at December 31,	
	2018 HK$'000	2017 HK$'000
CAD	**10,959**	25,932
USD	**5,459**	2,296
	16,418	28,228

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.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
Rental and other deposits	**1,217**	1,330
Prepaid expenses	**1,760**	572
Prepaid tour and air ticket costs	**2,241**	4,021
Deferred listing expenses	**—**	6,619
Receivables from travel companies for ticket costs	**66,388**	28,161
Other receivables	**1,808**	528
	73,414	41,231

The carrying amounts of deposits and other receivables approximated their fair values at each reporting date. The deposits and other receivables are denominated in the following currencies:

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
CAD	**42,259**	19,113
USD	**27,129**	10,892
Others	**25**	14
	69,413	30,019

20 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
Cash on hand	**52**	67
Cash at banks	**138,222**	65,350
	138,274	65,417

20 CASH AND CASH EQUIVALENTS *(CONTINUED)*

Cash at banks and on hand are denominated in the following currencies:

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
CAD	**58,409**	48,183
USD	**11,974**	17,062
HKD	**67,814**	—
Others	**77**	172
	138,274	65,417

As at December 31, 2018, the Group has no cash held in trust accounts from customers (2017: HK$26,257,000), which is included in the Group's cash and cash equivalents balances. These amounts are restricted in respect of local regulatory requirements and can only be used for the purchase of travel services. This restricted cash, together with other cash and cash equivalents, are managed by the Group for capital risk management.

21 RESTRICTED TERM DEPOSIT

As at December 31, 2017, the restricted term deposit represents a term deposit that is held as security to the bank for the letters of guarantee issued to IATA (Note 27). The interest rate ranges from 0.85% to 1% per annum and the term deposit was matured on February 2, 2018.

22 DEFERRED INCOME TAX

The analysis of deferred income tax assets and liabilities of the Group and Company is as follows:

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
Deferred income tax assets		
–to be recovered after more than 12 months	**17,607**	5,347
– to be recovered within 12 months	**—**	1,482
	17,607	6,829
Deferred income tax liabilities		
– to be recovered after more than 12 months	**(696)**	(593)

Deferred income tax assets and liabilities are offset when taxes are related to the same taxation authority and where offsetting is legally enforceable.

22 DEFERRED INCOME TAX *(CONTINUED)*

The net movements on the deferred income tax accounts of the Group are as follows:

	2018 HK$'000	2017 HK$'000
At January 1	**6,236**	(86)
Credited to the consolidated statement of comprehensive income (Note 11)	**5,052**	4,834
Netted against share premium (Note 24a(iii))	**5,623**	—
Netted against deferred listing expense	**—**	1,488
At December 31	**16,911**	6,236

The gross movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets

	2018 HK$'000	2017 HK$'000
Tax losses		
At January 1	**6,829**	155
Credited to the consolidated statement of comprehensive income (Note 11)	**5,155**	5,186
Netted against share premium (Note 24a(iii))	**5,623**	—
Netted against deferred listing expense	**—**	1,488
At December 31	**17,607**	6,829

As at December 31, 2018, the Company has recognised deferred tax asset of HK$10,778,000 (2017: HK$6,674,000 respectively in relation to the listing expenses incurred which will be deductible for tax purposes in the future under Canadian tax regulations.

Deferred income tax liabilities

	2018 HK$'000	2017 HK$'000
Accelerate tax depreciation		
At January 1	**(593)**	(241)
Charged to the consolidated statements of comprehensive income (Note 11)	**(103)**	(351)
At December 31	**(696)**	(593)

The Group has US state tax losses in the amount of HK$ 1,077,000 (2017 HK$ 1,251,000 for the years ended December 31, 2018 and also US city tax losses which are available for offsetting against future taxable profit of the company in which the losses arose. These tax losses expire by December 31, 2035 and are subject to further approval by the relevant tax authority. The Group has capital tax losses in Canada of HK$329,000 (2017: HK$345,000) for the years ended December 31, 2018, with no expiry dates. All the deferred tax assets resulting from tax losses during the year have been recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/AVAILABLE-FOR-SALE FINANCIAL ASSETS

It mainly represents a government bond issued by the Canadian government.

The carrying value of the government bond issued by the Canadian government denominated in CAD amounts to $225,000 as at December 31, 2018 and December 31, 2017 (equivalent to approximately HK$1,376,000 and HK$1,401,000 as at December 31, 2018 and December 31, 2017). The interest rate for the bond is 2.2% and was matured on December 1, 2018.

At January 1, 2018, the Group presented all changes in the fair value of the available-for-sale financial assets to the profit or loss, as explained in Note 3 of the consolidated financial information.

The bond is held as a security pledge for the operating permits required under the Quebec Travel Agents Act by the OPC.

24 SHARE CAPITAL AND OTHER RESERVE

(a) Share capital

	Number of ordinary shares ('000)	Nominal value of ordinary shares HK$'000
Authorised:		
Ordinary shares of HK$0.0001 each		
As at January 1, 2017 and December 31, 2018	90,000,000	9,000
Issued and fully paid:		
Ordinary shares of HK$0.0001 each		
At August 18, 2017 (date of incorporation) (i)	1	1
Issue of shares during reorganisation (ii)	899,999	89
As at December 31, 2017	900,000	90
Issue of shares pursuant to the Share Offer (iii)	300,000	30
As at December 31, 2018	1,200,000	120

Note:

(i) On August 18, 2017, the Company was incorporated under the laws of Ontario, Canada and registered by way of continuation in the Cayman Islands with an authorised share capital of an unlimited number of ordinary shares. Upon incorporation, one ordinary share of the Company was issued.

(ii) On October 9, 2017, the Company issued and allotted 899,999,999 shares of the Company to RT Group, AT Holdings and DC Holdings and offset against "other reserve".

(iii) 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.

24 SHARE CAPITAL AND OTHER RESERVE *(CONTINUED)*

(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 (Note 1), the carrying amount of redeemable preference shares amounting to HK$54,920,000 was recorded in other reserve (Note 28).

25 TRADE PAYABLES

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

	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
0 to 30 days	**13**	24
31 to 60 days	**15**	1
61 to 90 days	**7**	—
	35	25

The carrying amounts of the trade payables approximate their fair values as at December 31, 2018 and 2017 and are all denominated in CAD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 ACCRUALS AND OTHER PAYABLES AND CONTRACT LIABILITIES

(a) Accruals and other payables

	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
Accrued staff costs and management fees	279	1,760
Accrued expenses	6,994	5,350
Payables to airlines (Note)	51,491	47,286
Receipt in advance from a customer in relation to travel business process management	36,590	25,758
Deferred revenue (Note 2.1.1(b))	—	7,132
Sales tax payable	1,563	791
Payables to travel companies	1,736	1,198
Other payables	4,866	5,526
	103,519	94,801

Note:

The payables to airlines include amounts collected from customers reserved only for the purchase of travel services.

The carrying amounts of the accruals and other payables (excluding non-financial liabilities) approximate their fair values as at year end. The carrying amounts of the accruals and other payables (excluding non-financial liabilities) are denominated in the following currencies:

	As at December 31,	
	2018 HK$'000	2017 HK$'000
CAD	90,603	72,299
USD	10,889	12,819
HKD	185	—
	101,677	85,118

(b) Contract liabilities

During the year ended December 31, 2018, the Group has recognised revenue of HK$7,132,000 that was included in the contract liabilities balance at the beginning of the year.

27 BANK BORROWINGS AND BANKING FACILITIES

(a) Bank borrowings

	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
Secured interest-bearing bank loans		
CAD denominated		
– Within 1 year	–	37,243

The weighted average interest rate in 2018 was at 3.4% (2017: 3.1%).

(b) Banking facilities

The Group has banking facilities available in the form of a demand non-revolving loan of HK$17,222,000 as at December 31, 2018 (2017: HK$68,478,000).

As at December 31, 2018 and 2017, 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$63,223,000 as at December 31, 2018 (2017: HK$56,028,000).

The Group has an unutilised demand non-revolving loan facility of HK$17,222,000 as at December 31, 2018 (2017: HK$31,235,000).

The Group was in compliance with all banking covenants as at December 31, 2018 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 REDEEMABLE PREFERENCE SHARES

As at December 31, 2015 and 2016, TE Canada has 8,800,000 and 7,000,000 Class A preference shares respectively, with the following features:

– 6% non-cumulative discretionary dividends;

– redeemable and retractable at the option of the holders or the company any time at CAD1.26 per share; and

– priority in distribution to common shareholders in the event of liquidation.

As at December 31, 2015 and 2016, TE Canada also has 775 Class C special shares at each reporting date. The special shares had the following feature:

– redeemable and retractable at the option of the holders or the company any time at CAD0.10 per share.

The Group has recognised these redeemable preference shares as a current liability on the consolidated statement of financial position as at December 31, 2015 and 2016 as these shares are redeemable at the option of the holders at any time. On October 9, 2017, the Class C special shares were redeemed at CAD0.10 per share, which approximates to HK$500, and the Class A preference shares were exchanged for common shares in the share capital of TE Canada (Note 1). The redeemable preference shares recognised in the consolidated statement of financial positions is calculated as follows:

	As at December 31,	
	2018	2017
	HK$'000	HK$'000
Beginning of year	**–**	50,935
Payment of redemption of preference shares	**–**	–
Exchange of redeemable preference shares upon Reorganisation	**–**	(54,920)
Exchange differences	**–**	3,985
End of year	**–**	–

29 CASH GENERATED FROM OPERATIONS

	Year ended December 31,	
	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Profit before income tax	15,715	17,897
Adjustments for:		
Depreciation of property, plant and equipment	1,762	1,354
Amortisation of intangible assets	2,489	1,456
Finance (income)/costs, net	(405)	461
Gain on disposal of property, plant and equipment	85	—
Share of net loss of a joint venture	2,668	—
Operating cash flows before changes in working capital	22,314	21,168
Changes in working capital:		
Trade receivables	10,368	(1,560)
Prepayments, deposits and other receivables	(35,010)	(10,511)
Trade payables	13	18
Accruals and other payables	15,879	11,654
Contract liabilities	(2,761)	—
Cash generated from operations	10,803	20,769

In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended December 31,	
	2018 HK$'000	2017 HK$'000
Property, plant and equipment		
Net book value	—	—
Gain on disposal of property, plant and equipment	85	—
Proceeds from disposals of property, plant and equipment	85	—

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at December 31,	
	2018 HK$'000	2017 HK$'000
Cash and cash equivalents	138,247	65,417
Bank borrowings	—	(37,243)
	138,247	28,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CASH GENERATED FROM OPERATIONS *(CONTINUED)*

	Cash and cash equivalents HK$'000	Bank borrowings HK$'000	Redeemable preference shares HK$'000	Loans from shareholders HK$'000	Total HK$'000
Net debt as at January 1, 2017	71,160	(62)	(50,935)	(29,440)	(9,277)
Cash flows	(7,680)	(35,974)	—	29,707	(13,947)
Foreign exchange adjustments	1,937	(1,207)	(3,985)	(267)	(3,522)
Other non-cash movements (Note 1)	—	—	54,920	—	54,920
Cash as at December 31, 2017	65,417	(37,243)	—	—	28,174
Cash flows	77,926	36,204	—	—	114,130
Foreign exchange adjustments	(5,069)	1,039	—	—	(4,030)
Cash as at December 31, 2018	138,247	—	—	—	138,247

30 CONTINGENT LIABILITIES

From time to time, the Group may be subject to various legal claims arising in the normal course of business. The ultimate outcome of these claims cannot be determined. However, management considers an outflow of resources for these claims is not probable, therefore no provision has been recognised.

31 COMMITMENTS

The Group leases a number of premises under non-cancellable operating leases, including the head office location owned by the three directors and retail office premises. The leases are for various terms and are generally renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
No later than 1 year	**2,534**	2,549
Later than 1 year and no later than 5 years	**3,025**	1,319
	5,559	3,868

32 RELATED PARTY BALANCES AND TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

Management is of the view that the following were related parties that had transactions or balances with the Group as at and during each of the year end.

Name	Relationships
Mrs. Tsang	Director
Ms. Tsu	Director
Dr. Chu	Director

(a) Transactions with key management personnel

Key management includes directors (executive) and the senior management of the Group. The Group had the following transactions with key management personnel:

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Rental expenses of office premise (Note (i))	**1,325**	1,084
Interest expenses on loans from shareholders (Note (ii))	**–**	448

Notes:

(i) The transactions were mutually agreed by both parties at a fixed sum or charged based on cost incurred.

(ii) The interest expenses were in respect of loans from shareholders, which are unsecured, bear interest at 3% per annum and are repayable on January 1, 2018. The loan was early repaid on June 30, 2017.

(b) Financial guarantee

The Group had provided an unlimited corporate guarantee for the term loan mortgage facilities of HK$18,839,000 available to the three ultimate shareholder individuals as a result of the refinancing of the Group's corporate head office property personally held. The facilities were secured by the property, and were expiring from March 16, 2021 to September 21, 2021. The unlimited corporate guarantee was released on September 8, 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 RELATED PARTY BALANCES AND TRANSACTIONS *(CONTINUED)*

(c) Key management compensation

The compensation paid or payable to key management for employee services during the Year are shown below:

	Year ended December 31,	
	2018	2017
	HK$'000	HK$'000
Directors' fees, salaries, bonuses and allowances	**10,089**	8,696
Pension costs	**62**	61
	10,151	8,757

33 STATEMENTS OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

	Note	As at December 31, 2018 HK$'000	As at December 31, 2017 HK$'000
ASSETS			
Non-current assets			
Investment in a subsidiary	34	540,000	540,000
Investments in joint ventures	16	12,332	—
Deferred income tax assets	22	17,472	6,674
		569,804	546,674
Current assets			
Cash and cash equivalents		67,814	—
Prepayment		260	6,619
		68,074	6,619
Total assets		637,878	553,293
EQUITY			
Equity attributable to the owners of the Company			
Share capital	24	120	90
Share premium	(i)	88,248	—
Other reserve	(i)	539,909	539,909
Accumulated losses	(i)	(31,408)	(14,385)
Total equity		596,869	525,614
Current liabilities			
Amounts due to subsidiaries		40,823	27,679
Other payable		186	—
Total liabilities		41,009	27,679
Total equity and liabilities		637,878	553,293

Note (i): Reserve movement of the Company for the years end.

The statements of financial position of the Company was approved by the Board of Directors on March 28, 2019 and was signed on its behalf.

Mrs. Rita Pik Fong Tsang
Executive Director, Chairperson

Ms. Annie Shuk Fong Tsu
Executive Director, Chief Executive Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 STATEMENTS OF FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY *(CONTINUED)*

	Share premium HK$'000	Other reserve HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at January 1, 2017	–	–	–	–
Comprehensive income				
Loss for the year	–	–	(14,385)	(14,385)
Transaction with owners				
Incorporation of the Company	–	(1)	–	(1)
Contributed surplus during Reorganisation (Note)	–	539,910	–	539,910
Balance at December 31, 2017	**–**	**539,909**	**(14,385)**	**525,524**
Comprehensive income				
Loss for the year	–	–	(17,023)	(17,023)
Total comprehensive loss for the year	**–**	**–**	**(17,023)**	**(17,023)**
Total transactions with owners in their capacity as owners:				
– Issue of shares pursuant to the Share Offer (Note 24(a(iii)))	88,248	–	–	88,248
Total transactions with owners, recognised directly in equity	**88,248**	**–**	**–**	**88,248**
Balance at December 31, 2018	**88,248**	**539,909**	**(31,408)**	**596,749**

Note: As part of the Reorganisation (Note 1), the Company acquired interests in subsidiaries and assets and liabilities related to the Business from Mrs. Tsang, Ms. Tsu and Dr. Chu. The balance represented the contributed surplus after the completion of the Reorganisation.

34 INVESTMENT IN SUBSIDIARIES

	Year ended December 31, 2018 HK$'000	2017 HK$'000
Investment in unlisted share	**540,000**	540,000

Investment in a subsidiary is recorded at cost, which represents the fair value on the date of acquisition.

As at December 31, 2018, the Company had direct and indirect interests in the following principal subsidiaries:

Name of company	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/ registered capital	Proportion of ordinary shares held By parent directly	Proportion of ordinary shares held By the Group indirectly
BVTEHU Inc.	Ontario, Canada Limited liability company	Investment Holding in Hong Kong	101 common shares	100%	–
Tour East Holidays (Canada) Inc.	Ontario, Canada Limited liability company	Engaged in air ticket distribution, travel business process management and provision of travel products and services	107 common shares	–	100%
Tour East Holidays (New York) Inc.	New York, United States Limited liability company	Engaged in air ticket distribution, travel business process management and provision of travel products and services	200 common shares	–	100%

FINANCIAL SUMMARY

A summary of the results and of the assets, equity and liabilities of the Group for the last four financial years is as follows:

	Year ended December 31,			
RESULTS	**2018 HK$('000)**	2017 HK$('000)	2016 HK$('000)	2015 HK$ ('000)
Revenue	**149,181**	153,862	153,164	136,196
Cost of sales	**(45,493)**	(55,714)	(54,025)	(55,578)
Gross profit	**103,688**	98,148	99,139	80,618
Profit before income tax expense	**15,715**	17,897	48,062	34,360
Profit for the year	**11,095**	12,365	34,998	25,489
Adjustments:				
Listing expenses	**18,068**	19,571	—	—
Deductible Listing expenses recognized in deferred income tax	**(4,788)**	(5,186)	—	—
Adjusted profit for the year (Note)	**24,375**	26,750	34,998	25,489

Note: *The Group defines adjusted profit as profit for the year excluding (i) listing expenses and (ii) deferred income tax impact from the deductible Listing expenses recognized in income tax expenses. The term of adjusted profit is not defined under IFRS. The adjusted profit is solely for reference and does not include the aforementioned items that impact the profit or loss for the relevant years.*

	As at December 31,			
ASSETS AND LIABILITIES	**2018 HK$('000)**	2017 HK$('000)	2016 HK$('000)	2015 HK$ ('000)
Current assets	**228,426**	181,528	159,208	83,181
Non-current assets	**40,671**	15,831	5,811	3,499
Total assets	**269,097**	197,359	165,019	86,680
Current liabilities	**(107,512)**	(132,069)	(137,165)	(121,821)
Non-current liabilities	**(696)**	(593)	(29,681)	(62)
Total liabilities	**(108,208)**	(132,662)	(166,846)	(121,883)
Equity attributable to the owners of the Company	**160,889**	64,697	(1,827)	(35,203)